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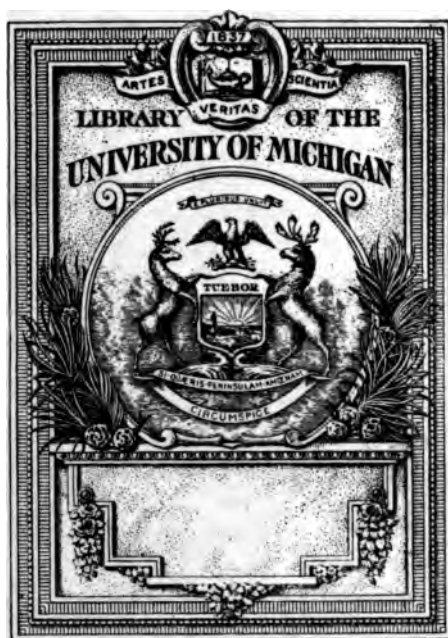
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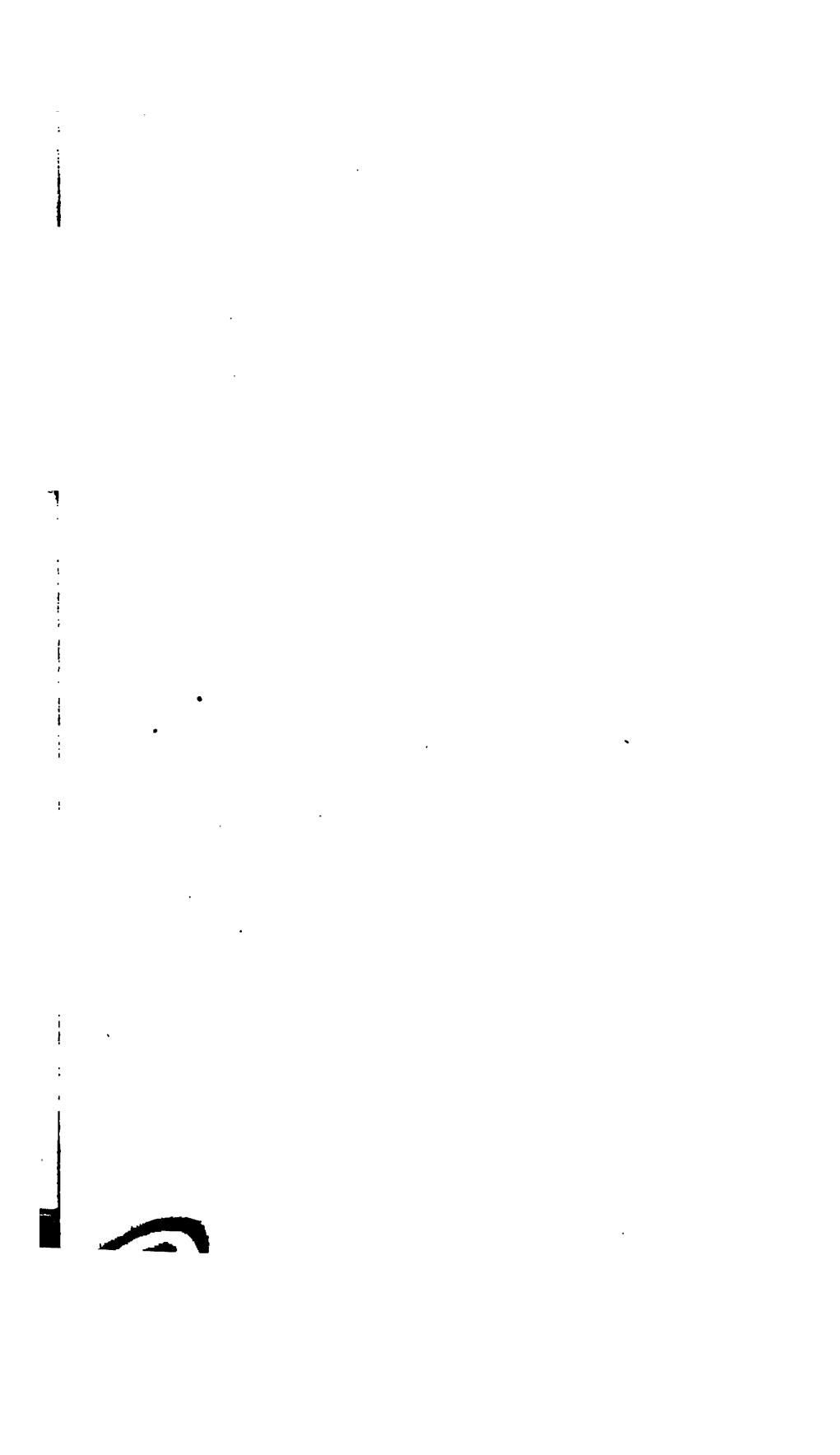
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HOW TO RUN A
WHOLESALE BUSINESS
AT A PROFIT







11



Here you see what amounts to a mixture of fun and work that makes the work easier, workers happier, and reduces costs for one wholesale concern. These stock pickers can do more work on roller skates and at a lower cost than they can on foot.

Shaw & Co. Inc. 1911

HOW TO RUN A WHOLESALE BUSINESS AT A PROFIT

PLANS AND METHODS FOR CUTTING DOWN EXPENSES AND
INCREASING SALES—HELPFUL COMPARATIVE COST-OF-
DOING-BUSINESS FIGURES BASED ON A NATIONAL
INVESTIGATION MADE BY THE BUREAU
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387 WHOLESALERS HELPED TO WRITE THIS BOOK

PLANs, methods, and cost figures contributed by 387 wholesalers representing seven different lines of business in 36 states make it possible to present in this book sound ideas which progressive men have tried out and found profitable. Material for this book was gathered by the Bureau of Business Standards in a country-wide investigation by personal interview and by mail.

The purpose of the book is to present cost figures which will, it is hoped, first, give you a rough idea of where your business stands in comparison with others, and, second, supply you with at least an indicated approximation of the expense at which it should be possible for you to operate.

Without some sort of costs the business man is like a ship captain unable to find his latitude. Without some knowledge of other men's costs, even though he has costs of his own, he is like a ship captain who knows his latitude but not his longitude. Without some idea of the most profitable costs other men have been able to achieve—attainable costs—and the exact methods by which they secured these advantageous costs, he is like a captain who has his latitude and longitude, but is unable to find out the shortest course to his destination and how quickly other captains have sailed over it.

Now this book is simply intended to supply latitude, longitude, short route data, and trip times for the short routes—for it attempts to present typical aver-

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PREFACE

age costs, indicated attainable costs, and methods used to achieve the obtainable costs. You will find these costs and methods arranged by convenient chapters. During the work of collecting these figures, the most successful concerns were, of course, discovered. The Bureau carefully studied their plans and methods, the best of which are described in the book. It is suggested that you can apply many of these methods in endeavoring to reach the operating costs indicated as attainable for firms in your line of business with a similar volume of sales.

Cost figures presented in this book are not advanced as final but as indicative. They indicate what percentage of total sales should be spent for operating expenses in different lines of business. These averages are based on accurate cost figures from concerns classified according to line and according to volume of sales. Indicated typical percentages are averages of all the satisfactory cost figures received in each line. Indicated attainable percentages are based on the costs of the best managed concerns picked from the entire group from which the typical percentages were obtained.

To obtain absolutely final cost figures it would, of course, be necessary to study for at least three years cost figures obtained from a group of concerns having a uniform accounting system. It is believed, however, that these indicative figures will serve adequately in supplying you with a means of making a helpful comparison of your individual costs with those of others, and of reaching a profitable standard of costs in your own business.

Without the hearty cooperation of wholesalers, this volume could not have been written. In response to requests by the Bureau of Business Standards, wholesalers opened their books to give figures and gave freely of their methods also. It is not possible to mention

PREFACE

in this limited space everyone who contributed to this book. References must be made, however, to a few organizations and some individuals who gave much of their time and best thought to the work of preparing the data which this volume contains. Among these, the following particularly deserve the thanks of the publishers and of those who find helpful the many methods set forth in these pages: National Wholesale Grocers' Association; Frank D. Chase, industrial engineer, who wrote in part Chapters XII and XIII; Blumauer-Frank Drug Company; National Wholesale Jewelers' Association; Manufacturers' News; Western Association of Shoe Wholesalers; Sprague, Warner & Company; McNeil & Higgins Company; W. L. Fergus, engineer; National Wholesale Druggists' Association; John S. Brittain Dry Goods Company; Croft-Stanard Company; Monarch Electric & Wire Company; Inter-Mountain Electric Company; Electric Appliance Company; Selz, Schwab & Company; The Lamson Company; American Luxfer Prism Company; Jobst Bethard Company; Telautograph Corporation.

Perhaps you would like to know a bit about the Bureau with which these organizations cooperated to make this book possible, just as scores of other concerns have cooperated previously to make other books possible. The Bureau of Business Standards is one of the editorial departments of the A. W. Shaw Company, publishers of **SYSTEM**, the Magazine of Business; **FACTORY**, the Magazine of Management; **SYSTEM ON THE FARM**; the British edition of **SYSTEM** and standard business books, courses, and reports.

The Bureau aims to serve as a point of exchange for business facts, figures, methods, policies, and plans. It conducts investigations of two types: first, those which will supply the editors of the various Shaw publications with data; second, those which will obtain facts and figures from which indicative business stand-

PREFACE

ards can be taken. These indicative standards may refer to methods, costs, policies, or related subjects and are published from time to time in magazines, book, or report form.

The success of the Bureau of Business Standards depends on the cooperative good will of business executives the country over—men who realize the value to their individual business and to American business as a whole of an interchange of facts and figures. Cooperation is cordially invited. All correspondence should be addressed to the Bureau of Business Standards of the A. W. Shaw Company, Chicago.

Cost figures used in preparing this book were given on the Bureau's pledge that names of concerns would not be connected in any way with the figures. Those of the Bureau's staff directly in charge of the investigation and preparation of this book were Stanley A. Dennis, Director of the Bureau; Richard T. Huntington, Joseph M. Regan, and Robert W. Pearson.

THE PUBLISHERS

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PART I

SELLING METHODS THAT HAVE BEATEN RISING COSTS

CHAPTER I

HOW FAST ARE WHOLESALERS' COSTS RISING?

THE cost of doing business is surely going up," declares a wholesaler who has been in business three quarters of a century and watched distributive changes follow one another through decades. "I speak from over 70 years' experience in my line and years of observation of other lines. Soon I must leave my desk for good, but I know that my sons' big fight will be, for years after I am retired, against rising costs and in search of ways to find and push the good-profit fast-turning lines.

"Formerly in my line it cost from 9% to 10% to do business. Now it figures out at about 11% to 12%. That difference represents a lot of money, when you consider the volume we do—you see it represents about 20%.

"The increase is largely due, I think, to the rise in labor costs and to the fact that retailers order differently nowadays. They formerly ordered by the dozen—that was the standard. Now they order more often and buy in smaller quantities. They require us to break packages. Also, the nature of our stocks has changed from a heavy preponderance of bulk goods to a heavy preponderance of package, branded, and patent goods."

There we have an interesting glimpse back over years of trading at wholesale. Now let's hear a retailer: "It is as necessary to the success of the retailer that you"—he is talking to retailers, you see—"that you have stores from which you can draw one third .

dozen of one thing, one half dozen of another bunch, instead of buying in too large quantities, as your success is necessary to the community."

Look at the chart (Figure 1) on page 3 for a moment. It represents wholesale trading running up into hundreds of millions. The line in it, which signals the costs of handling this volume, climbs steadily upward—15% in a few years. In the chart (Figure 2) is shown the actual rise over a 35-year period in one wholesale house.

Yes, the cost of doing business at wholesale is swinging upward, steadily cutting into the profit margin unless effective measures are taken to counteract it.

Moreover, rising costs are not pressing the wholesaler alone and without allies. The "manufacturer to consumer" threat is close at hand. "The middle man only adds unnecessarily to prices" bogey stands near and is frequently shoved toward the consumer from one quarter or another. Alongside is the fact that the meager profits of the wholesaler in comparison with the volume handled and the dependency of many valuable manufacturing enterprises or the service rendered by the wholesalers have not been made clear to many.

Now against this formidable group, what measures can be taken? Since at its head stand rising costs, there, many feel, lies the vantage point for attack.

In the pages that follow you will find mass after mass of what is intended to be the best sort of ammunition for making the attack. This ammunition is arranged according to the following general plan:

First, so that some idea of how fast costs are rising and what they should amount to nowadays could be secured, the nation-wide investigation already described in preceding pages was made. Next, the methods of the concerns whose costs pointed out as most successful were studied and the blue ribbon win-

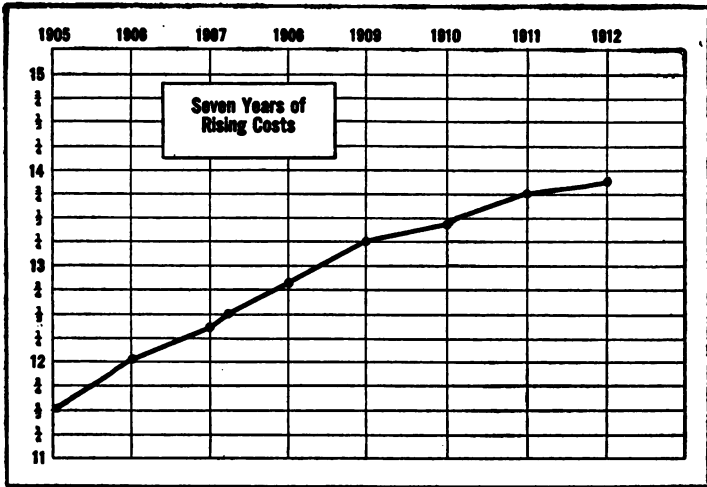


FIGURE 1—This chart represents average figures from scores of wholesalers located mainly in the Middle West. Excessively low and excessively high figures were not considered.

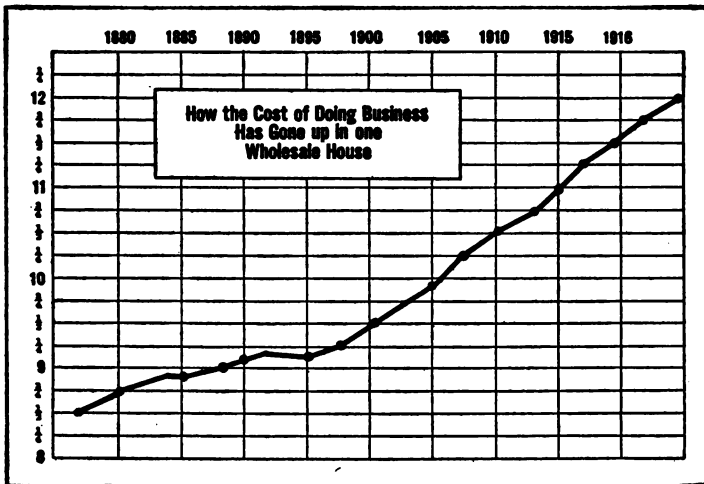


FIGURE 2—This house is one of the oldest in the country. Its costs offer an unusually striking demonstration of the steady rise, decade after decade, in the cost of doing business.

NEW SELLING METHODS

TOTAL COSTS OF DOING BUSINESS

In Seven Wholesale Lines

Indicated typical and attainable cost-of-doing-business figures for wholesalers are presented in this and following tables. The total figures shown here indicate apparently that wholesale hardware concerns have the highest cost of doing business and that it costs wholesale grocers less than the other lines studied. It was apparent early in the nation-wide investigation among wholesalers conducted during the preparation of this book that the volume of sales had a direct influence on the cost of doing business. For this reason the concerns were classified according to whether their sales were \$1,000,000 or more, or from \$500,000 to \$1,000,000, or less than \$500,000. It was also found that sectional influences affected costs. Firms doing business in the West and along the Atlantic seaboard were found to have higher costs than those in the Middle West. The western concerns' costs were from 1.5% to 2% higher, while many eastern concerns reported costs about 1% higher than the average for the Middle West. Wholesalers in the South, it was found, usually had a somewhat lower cost of doing business than in other sections of the country.

(Firms with Annual Sales of More than \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	10.3%	8.8%
Clothing.....	17.8%	15.6%
Hardware.....	23.5%	18.8%
Electrical Goods.....	18.1%	15.7%
Shoes.....	15.8%	11.9%
Drugs.....	14.6%	12.4%
Dry Goods.....	12.8%	10.6%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	9.0%	7.5%
Clothing.....	16.1%	12.8%
Hardware.....	19.2%	16.7%
Electrical Goods.....	18.1%	15.7%
Dry Goods.....	12.8%	10.6%

(Firms with Annual Sales of Less than \$500,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	7.2%	6.1%
Hardware.....	17.8%	14.1%
Electrical Goods.....	17.0%	13.1%

ners among them carefully described. Finally, favorable costs, which it seemed reasonable to believe the average concern could realize by perfecting its methods, were worked out.

So, in the following chapters you will find averages for a number of lines covering the usual items in the cost of doing business, and near by descriptions of the methods used by markedly progressive concerns to make more favorable records. Then you will also find alongside the typical costs other costs called "indicated attainable costs," which it has seemed reasonable to feel any concern intent on improvement can reach. On page 4 there are interesting groups of total and itemized costs, and in Part IV a description of a plan for helping you to record your progress in your fight against rising costs.*

Don't by any means be discouraged if you do not happen to find your particular line of business represented among the various cost-of-doing-business figures. The figures are really perhaps of most use as suggestions and illustrations, after all. The big general purpose of the book—to stimulate you to find costs and adopt from the most effective cost-fighting ideas, is not altered by either the presence or absence of figures from your line.

It would have been impossible, of course, to crowd in figures from every line. So do not be worried if there happens to be no specific figures from your line included—just write to the Bureau of Business Standards of the A. W. Shaw Company, Chicago, and its editors will gladly see what they can do about referring you to figures from your line that will help.

*It should be borne in mind that in compiling these average cost percentages the locations of the various houses were not considered. In most lines, investigation showed, costs were apparently from $1\frac{1}{4}\%$ to 2% higher in the West than in the Middle West. It was apparent also that eastern concerns had a higher cost of doing business than those in the Middle West, although the difference was not so great. Wholesalers in the South, it was found, apparently had lower costs of doing business than in other sections of the country.

So much for the general aspects of the rising costs problem and the purposes of this book in connection with it. The result of this great distributive battle depends in the final analysis upon the nature of the fight put up by each business. If this book helps you but a little to go "over the top" in the contest a bit more formidably armed, it will have "reached its objective and consolidated the position."

CHAPTER II

~~THE FIRST STEP IN OVERCOMING RISING COSTS~~

BROUGHT suddenly to a realization of the danger of an immediate and serious decline in sales as the result of increased competition, a wholesale merchant, now doing a business of \$850,000 annually, started a thorough going analysis of his local and tributary trade, with the result that changes were made in his business which increased his sales 45% and cut his cost of doing business from 9.7% to 8.1% within two years. The sales force was cut from 14 to 8 men. ~~Bad debts, which had formerly consumed 1% of the total sales, were reduced to less than 0.25%.~~

For five years this wholesaler had been distributing merchandise within a radius of 75 miles of the home office. The gradual development of local wholesalers, however, had steadily cut down the size of the market. Sales from the outside territory diminished because many of the retailers patronized the houses in their home towns, where they could save in freight charges, get small orders filled quickly, and thus increase their turnover rate.

As this man's experience indicates, clean cut analysis of market conditions and the sales problem is a strong factor in eliminating rough and tumble methods of determining prices. Familiarity with the competition in your territory and first hand knowledge of the various retail outlets are, indeed, powerful weapons in pricing the merchandise so that it brings a profit. A study of the average purchase of each dealer for a

(Text continued on page 12)

COST AVERAGES AND EXPENSES FROM THE BOOKS OF 387 CONCERNS

"Costs of doing business" in these tables are indicative, but are not advanced as final. "Selling expense" includes all salesmen's salaries, traveling expenses, and commissions. "Administrative salaries and wages" includes all other expenses for salaries and wages. Under "office expense" are grouped expenses for stationery, postage, printing, and supplies. Costs on interest, depreciation, and repairs are included under "general expense." All figures refer to total gross sales. In compiling these average cost percentages the locations of the various houses were not taken into consideration. In most lines, investigation showed, costs were apparently from 1.5% to 2% higher in the West than in the Middle West. It was apparent also that eastern concerns had a somewhat higher cost of doing business than those in the Middle West, although the difference was not great. Wholesalers in the South, it was found, apparently had slightly lower costs of doing business than concerns in other sections.

WHOLESALE SHOE COSTS

(Annual Sales More than \$1,000,000)

Here are the itemized costs of doing business for shoe wholesalers throughout the United States, as indicated by investigation. Note that warehouse, freight, and packing expense are extremely heavy, due, perhaps to the fact that shoes are bulky and usually each pair requires a separate box.

1. Selling Expense.....	4.9%
2. Administrative Salaries and Wages.....	3.2%
3. Rent.....	0.6%
4. Light, Heat, and Power.....	0.2%
5. Warehouse, Freight, and Packing.....	1.1%
6. Insurance and Taxes.....	0.6%
7. Office Expense.....	0.5%
8. Bad Accounts.....	1.6%
9. Advertising.....	0.4%
10. General Expense.....	2.7%

Total Costs.....15.8%

AN AVERAGE SHOE HOUSE

(Annual Sales \$1,450,700)

Expressed in dollars and cents the table below gives the total cost of doing business for an average shoe house with sales of over the million mark. Note again the high warehouse, freight, and packing expense. Loss from bad accounts also is indicated to be a heavy item of expense in this line.

1. Selling Expense	\$65,281.50 or 4.5%
2. Administrative Salaries and Wages.....	37,717.50 or 2.6%
3. Rent.....	5,802.80 or 0.4%
4. Light, Heat, and Power..	4,405.00 or 0.1%
5. Warehouse, Freight and Packing.....	17,402.40 or 1.2%
6. Insurance and Taxes.....	5,802.80 or 0.4%
7. Office Expense	5,802.80 or 0.4%
8. Bad Accounts	26,107.00 or 1.8%
9. Advertising....	5,802.80 or 0.4%
10. General Expense...	37,717.50 or 2.6%

Total Costs..\$208,842.10 or 14.4%

WHOLESALE CLOTHING COSTS
(Annual Sales \$500,000 to \$1,000,000)

This table shows average costs for clothing wholesalers as indicated by investigation. Note that rent is a heavy item. This, perhaps, is heavy because many clothing wholesalers are manufacturers as well, and need larger quarters than if engaged in wholesaling alone. Advertising expense, also, apparently is a heavy item.

1. Selling Expense.....	5.5%
2. Administrative Salaries and Wages.....	3.5%
3. Rent.....	1.4%
4. Light, Heat, and Power.....	0.3%
5. Warehouse, Freight, and Packing.....	0.4%
6. Insurance and Taxes.....	0.4%
7. Office Expense.....	0.5%
8. Bad Accounts.....	1.0%
9. Advertising.....	2.0%
10. General Expense.....	1.1%

Total Costs.....16.1%

WHOLESALE DRUG COSTS
(Annual Sales More than \$1,000,000)

Rent apparently is an extremely heavy item with drug wholesalers throughout the country, investigation indicates. Note also that depreciation apparently is high, as also is interest on the investment, both of which are included under general expense.

1. Selling Expense.....	4.1%
2. Administrative Salaries and Wages.....	3.8%
3. Rent.....	2.0%
4. Light, Heat, and Power.....	0.1%
5. Warehouse, Freight, and Packing.....	0.7%
6. Insurance and Taxes.....	0.4%
7. Office Expense.....	0.3%
8. Bad Accounts.....	0.6%
9. Advertising.....	0.4%
10. General Expense.....	2.2%

Total Costs.....14.6%

AN AVERAGE CLOTHING HOUSE
(Annual Sales \$837,500)

In an average wholesale clothing house with annual sales of \$837,500, the cost of doing business is about as shown in this table. Clothing houses usually are comparatively heavy advertisers, as you will note. Advertising, however, apparently has a tendency to reduce selling expense, investigation indicates.

1. Selling Expense	\$46,899.50 or 5.6%
2. Administrative Salaries and Wages.....	28,373.00 or 3.4%
3. Rent.....	13,399.50 or 1.6%
4. Light, Heat, and Power..	1,674.00 or 0.2%
5. Warehouse, Freight, and Packing.....	837.00 or 0.1%
6. Insurance and Taxes.....	3,348.00 or 0.4%
7. Office Expense	4,187.50 or 0.5%
8. Bad Accounts	13,399.50 or 1.6%
9. Advertising...	20,937.50 or 2.5%
10. General Expense....	7,538.00 or .9%

Total Costs..\$140,593.50 or 16.8%

AN AVERAGE DRUG HOUSE
(Annual Sales \$1,625,500)

Itemised here are the expenses in dollars and cents as well as in percentages of an average wholesale drug house. While there is some deviation from the itemized average costs for the entire country given in the left hand table, it will be noted that the totals of the tables are fairly consistent.

1. Selling Expense	\$99,155.50 or 6.1%
2. Administrative Salaries and Wages.....	58,518.00 or 3.6%
3. Rent.....	13,004.00 or 0.8%
4. Light, Heat, and Power..	1,625.50 or 0.1%
5. Warehouse, Freight, and Packing.....	6,502.00 or 0.4%
6. Insurance and Taxes.....	9,753.00 or 0.6%
7. Office Expense	6,502.00 or 0.4%
8. Bad Accounts	13,004.00 or 0.8%
9. Advertising....	9,753.00 or 0.6%
10. General Expense....	16,255.00 or 1.0%

Total Costs..\$234,072.00 or 14.4%

WHOLESALE GROCERY COSTS
(Annual Sales \$500,000 to \$1,000,000)

Analyses of the expenses of wholesale grocers scattered from coast to coast indicated these average costs of doing business. While these costs appear low when compared with those in some other lines, investigation indicated that they, also, are steadily climbing.

1. Selling Expense.....	2.2%
2. Administrative Salaries and Wages.....	2.2%
3. Rent.....	0.6%
4. Light, Heat, and Power.....	0.2%
5. Warehouse, Freight, and Packing.....	0.5%
6. Insurance and Taxes.....	0.5%
7. Office Expense.....	0.3%
8. Bad Accounts.....	0.5%
9. Advertising.....	0.4%
10. General Expense.....	1.6%

Total Costs..... 9.0%

WHOLESALE HARDWARE COSTS
(Annual Sales \$500,000 to \$1,000,000)

Indicated average costs for hardware wholesalers gathered during the country-wide investigation involved in the preparation of this book are given below. Note (1) that salaries and wages are higher than those in many other lines; (2) that general expense—depreciation, repairs, and interest—is extremely heavy.

1. Selling Expense.....	5.9%
2. Administrative Salaries and Wages.....	6.2%
3. Rent.....	1.2%
4. Light, Heat, and Power.....	0.2%
5. Warehouse, Freight, and Packing.....	0.7%
6. Insurance and Taxes.....	0.7%
7. Office Expense.....	0.7%
8. Bad Accounts.....	0.8%
9. Advertising.....	0.3%
10. General Expense.....	2.5%

Total Costs..... 19.2%

AN AVERAGE GROCERY HOUSE
(Annual Sales \$500,000)

Here, in this table of costs for one average grocery wholesale house, you will note expenses run close to the indicated average. "General Expense" which includes depreciation, repairs, and interest, apparently is an item which will stand considerable cutting in many houses.

1. Selling Expense\$	6,500.00 or	1.3%
2. Administrative Salaries and Wages.....	12,500.00 or	2.5%
3. Rent.....	5,500.00 or	1.1%
4. Light, Heat, and Power..	1,000.00 or	0.2%
5. Warehouse, Freight, and Packing.....	2,000.00 or	0.4%
6. Insurance and Taxes.....	3,000.00 or	0.6%
7. Office Expense	1,500.00 or	0.3%
8. Bad Accounts	2,500.00 or	0.5%
9. Advertising....	2,500.00 or	0.5%
10. General Expense....	7,000.00 or	1.4%

Total Costs...\$44,000.00 or 8.8%

AN AVERAGE HARDWARE HOUSE
(Annual Sales \$650,000)

The costs in an average wholesale hardware house with gross sales of \$650,000 annually will probably adhere quite closely to the figures given in this table. Turnovers in hardware are not many, investigation indicates, and a comparatively small stock may represent a large amount of capital invested.

1. Selling Expense\$	20,150.00 or	3.1%
2. Administrative Salaries and Wages.....	33,800.00 or	5.2%
3. Rent.....	9,750.00 or	1.5%
4. Light, Heat, and Power..	650.00 or	0.1%
5. Warehouse, Freight, and Packing.....	5,850.00 or	0.9%
6. Insurance and Taxes.....	3,900.00 or	0.6%
7. Office Expense	4,550.00 or	0.7%
8. Bad Accounts	12,350.00 or	1.9%
9. Advertising...	2,600.00 or	0.4%
10. General Expense....	24,700.00 or	3.8%

Total Costs...\$118,300.00 or 18.2%

WHOLESALE ELECTRICAL GOODS COSTS

(Annual Sales \$500,000 to \$1,000,000)

Below are given the average indicated costs of doing business in electrical goods at wholesale, as learned by investigation. Note (1) that warehouse, freight and packing expenses are high; (2) administrative salaries and wages also are heavy.

1. Selling Expense.....	5.2%
2. Administrative Salaries and Wages.....	5.9%
3. Rent.....	0.9%
4. Light, Heat, and Power.....	0.1%
5. Warehouse, Freight and Packing.....	1.1%
6. Insurance and Taxes.....	0.6%
7. Office Expense.....	0.5%
8. Bad Accounts.....	1.5%
9. Advertising.....	1.5%
10. General Expense.....	0.8%

Total Costs.....18.1%

WHOLESALE DRY GOODS COSTS (Annual Sales \$500,000 to \$1,000,000)

These percentages are indicated to be the average costs for dry goods houses from all parts of the country. In the extreme East and West costs apparently were higher than in the Middle West. Note (1) the high charge for selling expense; (2) the high advertising costs.

1. Selling Expense.....	4.9%
2. Administrative Salaries and Wages.....	1.7%
3. Rent.....	1.0%
4. Light, Heat, and Power.....	0.4%
5. Warehouse, Freight, and Packing.....	0.4%
6. Insurance and Taxes.....	0.5%
7. Office Expense.....	0.3%
8. Bad Accounts.....	0.5%
9. Advertising.....	1.5%
10. General Expense.....	1.6%

Total Costs.....12.8%

AN AVERAGE ELECTRICAL GOODS HOUSE

(Annual Sales \$632,000)

Here are costs of doing business for an average electrical goods wholesaler. Note that the selling expense ran considerably higher than the indicated average for the entire country. However, warehouse, freight and packing costs are unusually low and the loss from bad accounts is comparatively small.

1. Selling Expense	\$39,816.00	or	6.3%
2. Administrative Salaries and Wages.....	27,176.00	or	4.3%
3. Rent.....	6,320.00	or	1.0%
4. Light, Heat, and Power..	632.00	or	0.1%
5. Warehouse, Freight, and Packing.....	3,160.00	or	0.5%
6. Insurance and Taxes.....	2,528.00	or	0.4%
7. Office Expense	9,480.00	or	1.5%
8. Bad Accounts	5,056.00	or	0.8%
9. Advertising....	9,480.00	or	1.5%
10. General Expense....	11,376.00	or	1.8%

Total Costs..\$115,024.00 or 18.2%

AN AVERAGE DRY GOODS HOUSE (Annual Sales \$625,700)

This house is in the Middle West. Expense for rent is unusually high as the company maintains a well equipped building in a large city. Selling expense has been held well below average because of a comparatively narrow field of distribution.

1. Selling Expense	\$22,525.20	or	3.6%
2. Administrative Salaries and Wages.....	8,759.80	or	1.4%
3. Rent.....	15,692.50	or	2.5%
4. Light, Heat, and Power..	1,877.10	or	0.3%
5. Warehouse, Freight, and Packing....	3,754.20	or	0.6%
6. Insurance and Taxes.....	3,128.50	or	0.5%
7. Office Expense	3,754.20	or	0.6%
8. Bad Accounts	625.70	or	0.1%
9. Advertising....	6,257.00	or	1.0%
10. General Expense....	10,011.20	or	1.6%

Total Costs...\$76,385.40 or 12.2%

series of years and a tabulation of average sales by lines helps to map out the sales territory intelligently and gives an intelligent basis for establishing quotas and directing the sales force.

As we have seen, growing competition compelled this wholesaler to study new merchandising methods. Sales costs had to be reduced.

His first step was to make a detailed investigation of the trade in his city and the surrounding territory. The salesmen were called in and received instructions to make a preliminary investigation in the field to determine the possibilities for new business. Each man went through his territory classifying the retail outlets according to the annual sales, location, the type of the patronage, and the nature of the competition. All this information was combined into reports which were sent into the house (Figure 3). The retailer's credit and his methods of buying and keeping stock also were checked up by the salesmen and turned in to the credit manager.

The resulting report on each retail concern in the field was classified and typed on cards according to the retailer's volume of sales and the class of merchandise he handled (Figure 4). This plan enabled the wholesaler to determine the relative demand for commodities in various sections and how much each unit in the sales territory could absorb. Some neighborhoods, for example, were found to be heavy consumers of "fancy goods," while in others the less expensive lines moved more rapidly.

This simple survey furnished information that provided the wholesaler with a definite line on the possibilities of a drive for new business. Then policy of intensified selling was adopted. Salesmen who had formerly worked the outside territory were brought into the limited local field to solicit new accounts and to demonstrate the goods. Now, since the consuming

Report on Dealer Business	
Dealer's Name	_____
Street	City _____ State _____
1. How much are his average annual sales?	
2. What percentage of these are sales of our goods?	
3. How long has he handled our line?	
4. Is his profit on our goods as much as on other goods he handles?	
5. What class of trade does he sell our goods to—rich, medium, or poor, or any specific class (like professional persons, etc.)?	
6. Are our goods best sellers for him? Name competitive lines he carries in order of demand	
7. What kind of location has he?	
8. Is the store well kept, stock attractively arranged? Does he mark his goods in plain prices or blind figures?	
9. Does he cooperate by displaying our advertising material?	
10. Is his demand for our class of products decreasing or increasing?	

FIGURE 3—One concern finds out through reports from its salesmen just how its goods compare with competitive lines in each territory and what the dealer's attitude is toward them.

Dealer's Name	<u>Alfred, C. W.</u>	Amount Annual Sales \$	<u>22,000</u>
		Class of Merchandise	<u>Food</u>
Street	City <u>Logan</u>	State	<u>Nebraska</u>
1. What percentage of his annual sales is our goods?		<u>57</u>	
2. How long has he handled our line?		<u>10 years</u>	
3. Is his profit on our goods as much as on other goods handled?		<u>Yes</u>	
4. What class of trade does he sell?		<u>Best</u>	
5. Are our goods his best sellers? Competitive lines in order of demand.		<u>Yes—Jones + Baker</u>	
6. Kind of location.		<u>corner</u>	
7. Arrangement of stock and general appearance of store. Method of marking.		<u>Good—Alphabet</u>	
8. How much of our advertising does he use?		<u>all</u>	
9. Demand for our goods increasing—			

FIGURE 4—The information collected on the reports shown in Figure 3 is tabulated on cards like this. These cards are classified as indicated in the top section.

Dealer's Annual Sales Record											
Name _____											
Street _____ City _____ State _____											
Lines	1	2	3	4	5	6					
1913											
1914											
1915											
1916											
1917											

FIGURE 5—A close check on the annual sales to each of its dealers by lines for five years is kept by one concern.

Report on Local Conditions	
City _____ State _____ County _____	
1. What class of people live in this locality and what is their source of income? (Rich, medium, or poor.)	
2. What important industries are located here?	
3. Are people here mail-order buyers?	
4. What is the number of rural free delivery routes?	
5. Do housewives ask for articles in our line by name or trade-mark?	
6. What kind of advertising is most successful locally— an offer of "something for nothing;" seasonable articles; bargains; price displays?	
7. Is our product most in demand? Name competitive articles sold in order of preference.	
8. Do local dealers have good window trims, store arrangement, special features to attract crowds?	
9. Do surrounding crop conditions affect local business? If so, report on crops.	
10. What prices are competitors making to local dealers?	
11. What local advertising is done by competitors?	
12. What is the total number of dealers who sell our class of products?	
13. How many sell our goods?	
14. Estimate the approximate annual consumption of our class of goods locally.	

FIGURE 6—Before deciding to push any line by an advertising campaign in a certain territory one concern studies local conditions through salesmen's reports similar to this one.

power of each unit was known through the survey, along with the character of the merchandise in demand, the wholesaler knew where to push his sales.

If, for instance, the analysis showed that a certain retail unit could absorb 5,000 pounds of coffee a month and his sales to it were only 1,500 pounds a month, the wholesaler knew that his coffee sales should be played up. In the same way he found it easy to check on his other lines.

HOW A CAREFUL FIELD ANALYSIS CUT ONE
WHOLESALE'S COSTS THE FIRST YEAR

During the first year this plan was in operation the house dispensed with four salesmen, and in the following year two more men were laid off. This resulted in saving about \$20,000 in selling expense alone. The loss on bad debts and the cost of collection was reduced more than \$4,000.

"In the outside territory we notified dealers whom we had formerly covered that the salesmen would no longer call," said this wholesaler. "Then we turned to direct advertising as a means of retaining this business. We sent out revised catalogs and new form letters, accompanied by price bulletins, to a selected mailing list. Some of our old customers wanted us to prepay the freight charges. We refused to do this and lost their business. This was offset by the city sales, which increased 27% the first year. The analysis of our market has enabled us to develop business of more desirable quality."

Here is another account of what market and sales analyses did for a business that also was slowing down. Although it happens to refer to the grocery business, the general principles underlying its success can be applied in any line. Not long ago a wholesaler noticed that his sales were falling off and operating costs were rising.

He listed all of his customers alphabetically in a card index and checked the amount of their annual purchases for each year for five years back (Figure 5). This showed at a glance the customers whose purchases had steadily grown, as well as those whose buying had diminished. It also revealed the number of new customers and closed accounts. It took less than a month to get this information out of the ledgers, and once it was compiled alphabetically by sales districts and laid before him, the wholesaler had a strong foundation upon which to work.

The next step was to call in the 16 salesmen. Each man was instructed to investigate conditions in his own territory. The house suggested a list of questions to facilitate this task (Figure-6), such as the nature of competition, the number of retailers, their buying habits, and the goods that moved most rapidly with them.

After the salesmen had brought in their reports, the wholesaler incorporated this field information right in the card index. Then he prepared a map of the territory (Figure-7), showing where sharp declines had developed and where sales showed an increase. The salesmen were again called into a conference, and this time the wholesaler pointed out on the map that on the main transportation lines leading out of the distributing center competition had appeared about every 30 miles, while five years before competitors were more than 50 miles apart and widely scattered.

Some of the towns in the territory specialized on agriculture, others on industry. The sales figures showed that some of the salesmen had too much territory, others not enough. No effort had ever been made to set sales standards according to the detailed characteristics of the market. Merchandise that went strong in the mining towns was slow in the farming towns, and the reverse was also true.

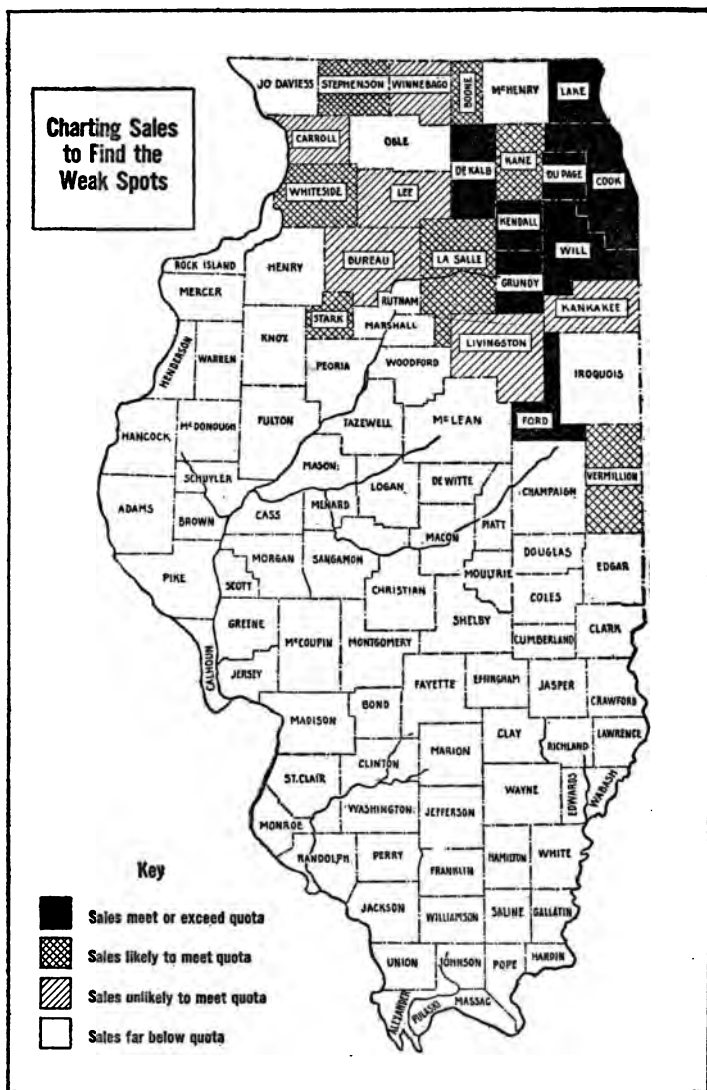


FIGURE 7—To find out where sales were falling off, a wholesaler blocked out on a map the extent to which sales in the various counties exceeded, met, were likely or unlikely to meet, or fell below the set quotas.

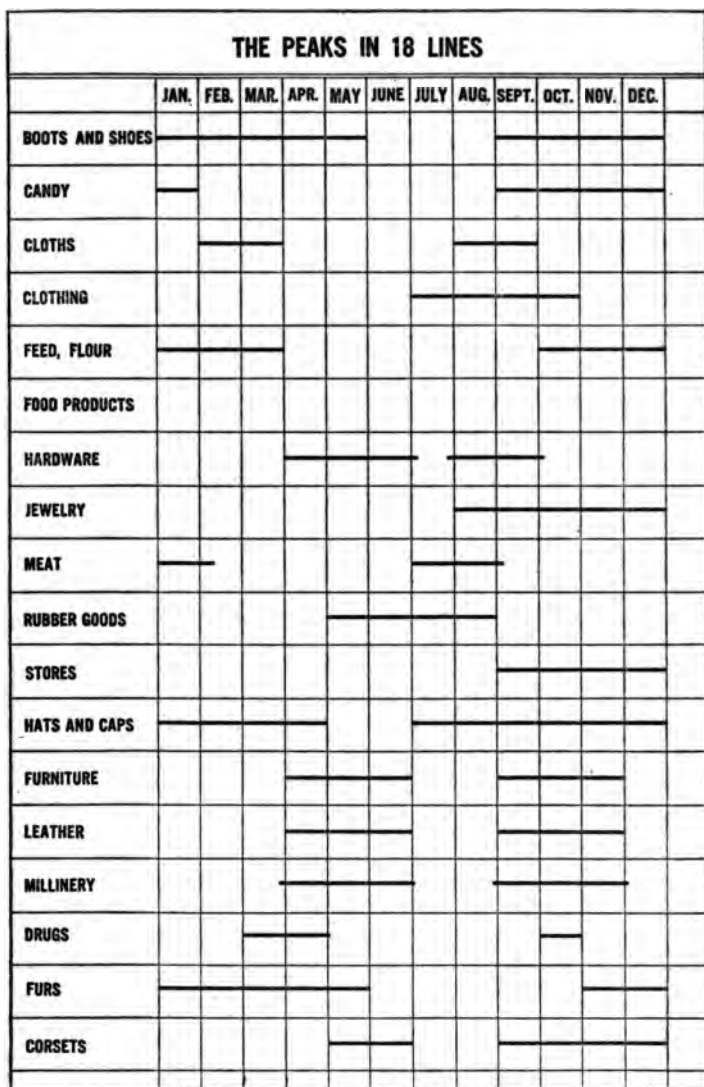


FIGURE 8—This chart shows the months which, investigation indicated, are the busy seasons in a number of the most important wholesale lines. Specific types of business within these lines will probably show variations from the general trend.

To secure more uniform distribution, this wholesaler tabulated his sales over a period of a year. He arranged this tabulation so that it showed, for example, how the staples like sugar, flour and soap were moving and what brands seemed most popular; how bottled and package goods sold in relation to the bulk merchandise, and how tea, coffee and spices sold and the quality of these lines that had the biggest call. The same scrutiny was given to the other merchandise items, so that the wholesaler knew exactly the varied requirements of the customers in his territory.

CLASSIFICATION OF SALES BY LINES REVEALED THE SLOW
MOVING ITEMS IN EACH TERRITORY

The various retail units of the territory were then mapped out on a different basis. In the spots where sales appeared very heavy, for instance, the territory was cut down and the units where sales were thin were correspondingly enlarged. The salesmen were then given their new territories under this arrangement.

A series of 26 weekly meetings for the salesmen was the next step in the plan. At these meetings the general manager passed around mimeographed bulletins containing lists of the different items sold by the house, with the prevailing prices. The condition of the general market on each line was discussed and the men were instructed how to handle the sales.

"Go easy on this line of soap and be on the defensive in selling sugar," are phrases in one bulletin from the manager's directions that went with his careful study of the trade. "Take sugar orders only when you have to. We have a fair supply on hand now, but prices are sure to go much higher and we prefer not to fill many big orders.

"Now, as for this soap, the price was boosted on us almost without warning. We have just enough

on hand to handle the immediate requirements. We have arranged to take on another line of soap, a western line, and since it is a little cheaper, push it hard. You can back it up with our guarantee because we are satisfied as to its quality."

Inspired by these weekly talks and reinforced by the information in the bulletins which foreshadowed probable market movements in the various commodities, the men were better prepared to advise the retailers how and when to buy.

After this plan had been in operation a year, the wholesaler knew definitely the volume and character of the business to be expected. He was able to buy more effectively and more economically because he knew what his territory wanted. The rate of turnover therefore was accelerated and the danger of taking on slow-moving lines lessened. The actual annual sale of coffee, for example, as compared with the absorptive power of the territory as shown in the reports brought in by the salesmen during the investigation, indicated how this particular department had developed during the year. The same worth-while comparisons were obtained in the other departments.

Since this wholesaler carefully measured the demand for his goods, learned the population and the area of his possible market through the salesmen's reports, and the amount of competition, he knew roughly how many salesmen he could employ profitably.

After the territory had been divided so that the ideal sales volume could be most nearly approached, the wholesaler decided the number of times it was advisable to have each possible customer called upon during a given period. In the thickly settled units of the territory where the merchandise sold rapidly, for instance, the salesmen called once a week, while in the more extensive and sparsely populated units the men called every two weeks.

The final step was the setting of an accurate sales quota for each man. Comparing sales over the previous year with the existing conditions in the territory, as brought out by his analysis, the wholesaler found it more practicable to set up a really attainable sales standard which the salesman had to meet or, preferably, surpass. Thus a slump in any unit of the territory could be detected quickly and pressure could readily be exerted on lines that seemed slow to move.

~~The study produced another vital and beneficial result. Like many others, this wholesaler had not departmentalized his merchandise along the lines of the classification given in Chapter XVII, and without this type of classification it was difficult for him to tell the exact profit or loss on any particular line. The analysis, however, enabled him to separate the different lines and at the end of the year he knew the profit or loss on each.~~

"This analysis was chiefly instrumental in increasing our sales about 25% in a year," said this wholesaler, "and it put the spotlight on some of the unprofitable lines. We reduced this slow stock and thus speeded up the rate of turnover. Another important advantage was the fact that we were better able to gage our demand. We learned the quality of merchandise required in different sections and consequently our supplies were selected with more discrimination. Our buying was stabilized and losses resulting from "hit or miss" purchasing were almost entirely wiped out."

These experiences indicate the value of making a thorough going analysis of your sales problem. The investigation made by the Bureau of Business Standards among wholesalers indicated that the markedly successful wholesaler in any line determines all the elements that enter into his sales problem, obtains all the facts within reach bearing on each element, and

adjusts these facts with his distribution policies according to a logical effort to assure a profit.

An analysis of the business of each retailer who is a customer of the house is only a part of the work of analyzing the sales problem. Sectional differences, intensified by competition and improved transportation facilities, have served to bring wholesalers to a stronger realization of the importance of uniform and consistent distribution.

Investigations made by the Bureau from time to time have helped to define more clearly the "peaks" in the various wholesale and manufacturing lines.

~~Eighteen of these are shown in Figure 8.~~ Every one of these lines is characterized by buying habits peculiar to that particular line. Variations of these habits doubtless exist in the trade of every concern in any line. Only a definite, "down to bed rock" analysis will bring them to the light, in order that they may form the starting point for organizing a sales campaign.

above Thus, to summarize in a few words, the meat of ~~this chapter~~, an analysis of the sales problem is essential when it comes to fighting for new business that will help overcome the rising costs. An accurate knowledge of the market is fundamental to right buying and right selling. We must know our market in order to advertise intelligently and profitably. Unless our sales problem is thoroughly understood, we cannot build up a selling force that will continue to bring in a steadily increasing volume of profitable business.

CHAPTER III

IS THERE A ONE BEST WAY TO PAY SALESMEN?

HOW much does the wholesale salesman cost his house and how much should he be paid? The major expense of selling in the leading wholesale lines normally is traceable to the salesman because the principal means of creating new business in nearly all lines is still through personal contact with the trade. Although advertising was found to be an item of increasing cost, in most lines heavier expenditure for publicity usually was accompanied by a proportionate decrease in the cost of the personal selling force.

Here are a few interesting general points to indicate the importance of the sales expense in the cost of doing business at wholesale.

Figures obtained from 54 middle western grocery houses employing 480 salesmen, showed 25 pay on a straight salary basis and 29 pay a commission on sales. One house, for instance, pays its men the same salary as the preceding year, with a bonus of 1 % over a certain amount of net sales after deducting losses on bad accounts from total sales. Another house pays a straight salary based on 1 % commission on gross sales.

Some houses pay a straight salary, but allow a special bonus after the result of the year's work is known, taking into consideration location of territory, intelligence of effort, classes of goods sold, and other elements. This arrangement amounts to nearly the same as the payments of a percentage of the profits.

One house reported that it expected a basis of \$60,000

sales for a salary of \$20 a week, with 2% commission on all over \$60,000, the house paying all expenses.

On page 25 you will find some very valuable detailed figures showing just what the wholesale salesman does cost his house. Besides making these figures possible the investigation made among wholesalers by the Bureau of Business Standards also revealed the methods by which progressive wholesalers get better results from the expenditures they represent by carefully selecting methods of compensating salesmen.

Among their plans for compensating salesmen unusually wisely are these general ones: (1) bonuses, (2) point systems, (3) contests and cash prizes, and (4) a percentage of profits. Carefully worked out forms for recording traveling expenses also have been effective in aiding wholesalers to hold sales compensation to normal levels. Plans for generally developing the sales force and ways to fix sales quotas—subjects very closely allied to the one taken up in this chapter—are described in Chapters IV and V. The ordinary methods of paying on a commission or a salary basis are matters of everyday knowledge and not included in detail.

To consider our first plan—giving bonuses—then suppose, for example, one of this sales manager's men is handling merchandise costing 90 cents a box and selling at an average price of \$1, and that, besides his salary, the salesman receives a commission of 2% on his gross sales. If he sells 10,000 boxes, the firm receives \$10,000, from which must be deducted \$9,000 for the cost and \$200 for the salesman's commission, leaving the house a net profit of \$800, or 8% on sales.

Now if this salesman can sell 12,000 boxes by cutting the price to 95 cents, it will bring his sales up to \$11,400, and he earns a commission of \$228. But what happens to the firm? It receives \$11,400, from which must be deducted \$10,800 for the cost of the boxes and \$228 for

HOW MUCH FOR SALESMEN?

SELLING EXPENSE

(Salesmen's Salaries, Traveling Expenses, and Commissions)

Investigation brought out sharply the fact that the methods employed in the different wholesale lines vitally influence the sales expense. In some wholesale shoe houses, for example, salesmen are largely used to sell direct to the trade. Those houses, it was found, often supplemented the efforts of the sales force with a great deal of direct advertising. The personal sales expense in houses of this kind often runs over 6%. On the other hand, the wholesaler who manufactures part of his product and sells directly to exclusive agencies or to jobbers frequently is able to shift considerable of the personal selling expense. Development of the syndicated lines among the wholesale druggists has served in various sections to narrow the territory and consequently to reduce the selling costs. In the large dry goods houses selling costs varied widely, owing to the number of textile lines handled by the individual houses. Many of these were manufacturers also. Selling expense in wholesale grocery houses is indicated to be much higher than in the houses whose sales run between \$500,000 and \$1,000,000, probably because of the wider territory covered and the growing tendency of the large houses to engage in extensive advertising campaigns to promote their private brands. Selling expense in houses whose sales run under \$500,000 is indicated to run much lower, for, as investigation showed, this type of wholesaler usually confines his sales almost entirely to neighborhood limits.

(Firms with Sales of Over \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	3.1%	2.5%
Clothing.....	6.0%	5.2%
Hardware.....	6.4%	4.0%
Shoes.....	4.9%	4.0%
Drugs.....	4.1%	3.5%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	2.2%	1.8%
Clothing.....	5.5%	4.5%
Hardware.....	5.9%	3.6%
Electrical Goods.....	5.2%	3.9%
Dry Goods.....	4.9%	4.5%

(Firms with Annual Sales of Less than \$500,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	1.7%	1.4%
Hardware.....	4.2%	3.8%
Electrical Goods.....	4.6%	4.0%

Daily Sales Report of				Use other side for remarks	
L. M. Hunter				Number 208 Day 10 Date May 191	
Towns Visited	Dealers Called Upon	For immediate shipment	For future shipment	If No Sale State Reason Why On Space Below	
Detroit, Mich.	Adams & Co.	\$720	\$480		
Lansing, Mich.	F. E. Lovett	\$500	\$200		
Battle Creek, Mich.	Tyson & Meek	\$200	\$400		
				Total Sales for the Day \$ 2500.	
Enter the estimate of your orders in columns headed "Immediate" and "Future Shipment"					

Daily Expense Report of				Mail every day from town where you sleep										
L. M. Hunter				Number 208 Day 10 Date May 191										
Miles Traveled	Towns visited in order named	Breakfast	Dinner	Supper	Lodging	Mileage paid	Cash fare paid	Paid on excess	Drayage	Bus	Team	Telegraph or Telephone	Stamps	TOTAL
20	Detroit	.75				.60				.25		1.60	.25	3 45
50	Lansing		1.25			1.50								2 75
40	Battle Creek			1.00	3.00	1.20				.25				5 45
Samples Carried		Number of pieces		Weight		Itemized Sundries		Meals on train						
Culinary 15		21		18 lbs				Sleeper						
Cans 2								Street car fare						
Sporting goods 4														
Tackle														
Other lines none						Day's total expense		11 60						

FIGURE 9—An accurate daily comparison of sales with expense for each salesman is possible in one wholesale house by use of this double card form (the halves of which can be torn apart to file). It can be folded on the dotted line to envelop size.

the salesman's commission, leaving it a net profit of \$372, or only 3.2% on this man's sales. Thus, we see that about one third of the profit is sacrificed in this instance in order that the salesman may add \$28 to his income.

To overcome the tendency to cut prices, this sales manager marks each of his men on the degree of the following characteristics exhibited: aggressiveness, tact, ingenuity.

Bonuses are then paid directly in proportion to the extent each man approaches a standard of 100%. Since the salesman knows that he is under daily observation, he avoids practices that might cut the profits of the house. To illustrate: Among the month's orders of one salesman is 1,000 boxes of merchandise at \$1 a box. Assuming that his commission under the ordinary system is 1.5% of sales, he receives \$15. Under the new system he is paid 2% or \$20, and this is multiplied by his quality percentage. If he has achieved a mark of 90% in meeting the established ideals of the house, then he would receive 90% of \$20, or \$18, in addition to the 2% commission.

A wholesale house in the Middle West employing the bonus plan finds that its salesmen are more contented and less migratory. A bonus amounting to 5% of the salesman's annual salary is paid semi-annually, providing the salesman establishes increases in sales amounting to as much or more than the average increase of the entire sales force for the year.

If there were 10 salesmen, for example, and their aggregate increases amounted to \$100,000 for the year, those having an increase of \$10,000, the average, or more, would receive bonuses. Therefore, if John Adams drew a salary of \$5,000 a year he would receive \$250 as a bonus the first six months and \$250 at the end of the year, or \$500 in all.

The use of the second plan—the point system—

in connection with the payment of a bonus, apparently brings satisfactory results in many houses. A wholesale house in the Middle West, for example, has been able to keep its working force practically intact for the past five years by applying the point method. This eliminates the loss caused by breaking in new men, and it has a further advantage in determining the comparative difficulty of selling various products in the line.

After finding out how quickly an article moves, for instance, a certain number of points are allotted by the house. A product that sells slowly receives fewer points, and so on. A salesman getting \$40 a week, for example, is required to sell an amount equivalent to 10,000 points; a man earning \$50 a week is required to sell 12,500 points, and so on. Over that amount he receives a bonus.

A SALES CONTEST THAT INCREASED THE SALE OF SLOW-
MOVING ITEMS FOR ONE FIRM

The point system, besides acting as an effective record of sales, aids also in eliminating roundabout prospect hunting by providing the sales manager with definite and accurate data of the quantities that different units of the territory will absorb. It also makes it possible to send the right number of salesmen straight into the territory where the consumption of the goods is practically predetermined by the points.

In some sections of the country wholesalers have held contests and distributed cash prizes with fine results. This plan—the third of the four plans—was adopted by a distributor of foodstuffs in the Middle West, for instance, who discovered a tendency among the salesmen to push some lines and disregard others. It was difficult, therefore, to maintain consistent selling of the entire line.

He offered a prize to the salesman maintaining the

best record throughout the period covered by the contest. Four other prizes also were given to those ranging next in order, and then prizes were distributed at the end of each period.

Fifty dollars was given to the salesman making the best record, figures in volume, for all lines. Seventy-five dollars was given to the branch house showing the best percentage of sales' increase over the same period in the preceding year. This was divided into two prizes, \$50 and \$25, going to the two salesmen making the best records.

In picking out the winner of the first prize the company took into consideration the volume of his specialty sales and the distribution secured through him. When the contest was over, it was found that the sales force was much better organized. At the beginning of the contest approximately 58% of the sales force was selling the full line. The contest raised that mark to 77%. Ratings of salesmen now are published regularly on bulletins and the branch houses steadily are obtaining wider distribution.

Another sales manager has increased sales by contests of various sorts. Each year he has a "marathon run." It starts on January 1, and ends on December 1. Each month he publishes the standing of the "runners" and at the end of the year presents the winners with suitable emblems and prizes. The excitement at the finish, he says, is remarkable, and during the last few days a flood of telegraph orders bears silent testimony to the keenness of the struggle. This contest is so regulated that every salesman, the inexperienced man, as well as the man who had been with the house for years, has fair fighting chance to win. The best "runners," of course, are the salesmen producing the most business.

Compensation based on a percentage of the profits—the fourth of the plans—has a wide range of usage,

investigation revealed. City trade, for instance, evidently pays from 20% to 40%, the larger amount in the larger cities. A common rate in the country is 30%; some, however, go as high as 50%. These variations are doubtless due to differences in territory, difficulties of sales, abilities of salesmen, and other causes.

A contract used by one of the larger houses provides, among other details, that the salesman is to be furnished with the cost price, shall make prompt collections, and is chargeable with a specified percentage of all irregular discounts, prepaid freights, allowances, or rebates.

It was mentioned that in addition to the four plans, traveling expenses offered an attractive channel through which to guide the direct sales cost to better results.

HOW EXPENSE FORMS OFTEN HELP TO CUT DOWN SALESMEN'S TRAVELING COSTS

A wholesale house employing salesmen on a salary and commission basis has devised, for example, a simple form (Figure 9) that is a combination sales and expense report. This saves the time of the salesman, reduces stationery costs, and also assures daily reports, which were obtained only with difficulty before because of the detailed work necessary in making them out. The form used now consists of two attached cards the size of an ordinary postal card, semi-perforated at the line of attachment so that it can be folded once and placed in an ordinary sized envelope and mailed to the house.

By comparing the cards with information kept in a card index, the sales manager is able to keep an accurate check on the sales and expenses of each salesman.

Another form that serves two purposes effectively is used by one wholesale house. This form (Figures 10

TOWN MADE	RECAPITULATION		CASH ACCOUNT		TIME TO BE CHARGED TO GENERAL SALESMAN
SAT.	Cash fare		On hand per last report		SAT.
SUN.	Cash excess		Received since		SUN.
MON.	Sleeper		Total		MON.
TUES.	Hotel		Expense this week		TUES.
WED.	Bus		Amount on hand		WED.
THUR.	Dray		Mileage report		THUR.
FRI.	Phone and telegram		On hand per last report		FRI.
	Porter fees		Received since		
	Postage		Total		
	Team or livery		Amount now on hand		
	Miscellaneous				Enter remarks on the other side
	TOTAL EXPENSE				

Enclose a Receipt for Each Excess Book that You Purchase

	Date	Cash Fare	Cash Excess	Sleeper	Hotel Dng. Car Sample Room	Bus	Dray	Phone and Tele- grams	Porter Fees	Postage	Team Express	Miscel- laneous
SAT.												
SUN.												
MON.												
TUES.												
WED.												
THUR.												
FRI.												
TOTALS												

REMARKS

EXPENSE ACCOUNT AND BULLETIN ACKNOWLEDGMENT

Name		Week Ending					
Date	Bulletin Number						
SAT.							
SUN.							
MON.							
TUES.							
WED.							
THUR.							
FRI.							

ENTER NUMBERS OF BULLETINS ON THIS CARD THE DAY YOU RECEIVE THEM

FIGURES 10 and 11—Sending in three reports in one is accomplished by a compact card form used by one house. This provides space for daily expenses, and a summary for the week.

On the reverse side (bottom) goes the expense accounts.

and 11) is the result of many years' experience in handling salesmen. Besides providing space for a daily account of expenditures, it allows, also, for a recapitulation, a statement of the cash account, and space for the designation of the time that is charged to the general salesman.

On the reverse side of the card is space for any remarks in connection with the expenses and space for the acknowledgment of the price bulletins that are sent out daily. These reports are turned in every week and promptly checked. If it is found that the salesman has missed one of the bulletins, it is sent forward at once. When it is folded this form will fit into the pocket, and it is folded in a manner that will reveal at a glance the total expenses for the week.

A VEST POCKET RECORD THAT GIVES A DAILY AND
WEEKLY SUMMARY OF SALESMEN'S EXPENSES

By making expense forms as small and compact as possible, many wholesalers find that they are more satisfactory to the salesmen and are checked and filed with less effort in the house. One man uses a neat form small enough to fit into the vest pocket, which opens from the ends. This form (Figure 12) provides a complete record of cash and expenses of each day in the week without turning over the pages. The weekly total foots in directly below "Saturday," but on the inside of the back cover. This back cover carries a cash summary as well as an expense summary. These expense reports are turned into the house each week.

Another style of expense form in which the railroad and hotel expense appear to form the main elements is shown in Figure 13. The house using this form sends all expense checks to its salesmen every two weeks. These salesmen make only the big towns and as a rule the experience of the house is that the expenses

outside of railroad and hotels are merely incidental, and the form has been prepared accordingly. The reverse side of the form provides for a summary of the expenditures.

So much for the four plans and the related subject of expense accounts. Additional material on the general subject will be found in Chapters IV and V. It is impossible to lay down general rules, but with the definite cost standards given in this chapter to guide you, and the additional data contained in the other chapters at hand, you probably will be able to work to just the results you want.

CHAPTER IV

FIXING PROFITABLE SALES QUOTAS THAT STIMULATE

WHEN a new man took charge of sales for one concern he made an investigation of the total amount of business possible in each salesman's territory. This total he compared to the salesmen's reports of the amount of business possible in each territory, with the result that new sales quotas were adopted which increased the total volume from 40% to 50% without going into new fields.

This survey was made by special investigators and included territories from which the salesmen had reported previously that the firm was getting all the business possible.

In one city, for example, the salesman covering the territory reported that the concern already had 0.9 of the possible sales and 50% of all sales. He said that the firm's three strongest rivals had 0.8 of the rest and that the remainder went to a few local dealers. This report was made in the best of faith by a veteran salesman, admittedly superior to those of any competitor covering the city.

The investigation by the new manager showed that there were 27 grade A firms, 44 grade B firms, and 78 grade C firms in the city that were possible customers for this concern's product. The grades A, B, and C roughly indicated the ratings of the various firms, for the firms were graded on their financial rating. Of these, 25 of the grade A firms, 6 of the grade B firms, and 2 of the grade C firms were listed as buyers.

This investigation showed clearly that the star salesman had been regarding only the larger firms as possible customers. He had not considered the smaller firms as worth spending time on.

As a result of the investigation the sales manager sent two additional salesmen into the territory. The man selected to work the grade B group was the "mixer" type—a man with a pleasing personality, but by no means the equal of the regular salesman when it came to solving problems such as maintaining prices or securing dealers' cooperation.

The second salesman, who was to cover the grade C firms was a "plugger." His persistence in going after small sales made up for some other deficiencies.

These two men were kept in the city for two weeks. Three months later they spent another two weeks there and five months later, one week.

At the end of this period the sales record showed that of the 27 grade A firms, 26 were listed as buyers. In the grade B class 30 of the possible 44 had become customers and in the grade C class 47 of the possible 78 were on the company's books. The total volume of sales in this city had increased nearly 50% with an additional sales cost of only \$760. This experience taught the sales manager not to depend on salesmen's reports for fixing quotas.

This investigation was comparatively simple as it took into consideration only the possible outlets for the goods. But wholesalers everywhere, investigation showed, are making closer studies of their territory in order to fix more effective sales quotas.

Among the factors considered in making these studies are the type of the population, the average buying power per capita, the type of the local industries, the type of retail stores, the transportation facilities, and the competition.

How many other successful firms have studied and

Line	Cost of Doing Business
Jewelry	18.2%
Millinery	19% to 25%
Glassware	25% to 28%
Lace	18% to 28%

Approximate total costs of doing business for four lines are given here. Individual houses may find their costs varying considerably from these figures as the class of goods handled within each line, the location and the extent of the territory covered have a decided influence on the cost of doing business.

solved this problem of how much the territory can absorb in the fight for higher sales quotas without greatly increased selling expense is described in the pages that follow.

USING COMPETITORS' SALES AS A BASIS FOR SETTING
QUOTAS KEEPS ONE CONCERN LEADING

One wholesale house analyzes the territory of each salesman to find out just what competitors are doing in the field. The sales quotas are based on the results of the investigation.

This analysis is made largely through the salesmen's reports. Each man is required to notice the other brands of goods each dealer carries and to find out, if possible, how rapidly they are moving. Occasionally these reports (Figure 14) are supplemented by personal investigations on the part of the sales manager or by someone from his office.

"It is really not necessary for us to set sales quotas," says this man, "for all our salesmen are on a commission basis and they naturally work hard to secure the largest possible sales. However, we set a standard for a territory which is a little higher than the estimated sales of our nearest competitor. For example, if the reports turned in by the salesmen show that our nearest competitor is selling about \$10,000 worth

SALESMAN'S DEALER REPORT

Name of dealer L. McStevens Salesman Markham
Street _____ Date 10-4
City Oshkosh State Wisconsin
Number of brands carried Three
Names of competing firms _____

1. Boggs & Palston
2. Merrith & Land Co.
3. _____
4. _____
5. _____

Which brand sells best? B & R Next best? O.M.S.
How does the dealer regard our brand? Favorably

In your opinion how much of our stock could be carry to advantage?

General appearance of store Good

Remarks He is not a progressive
advertiser

FIGURE 14—One concern keeps a close watch on competition in each salesman's territory by means of reports on the number of brands each dealer carries and their comparative standing.

[illegible]

FIGURE 15—This is not a puzzle. It is a tabulation of sales on a card which can be run through a tabulating machine.

of goods in a certain territory we set a tentative standard 10% higher than this. This is really a minimum standard, but as the men work on commission, there is no danger of their stopping there.

"If a salesman cannot reach our quota some change is made. Sometimes an exchange of territories will solve the difficulty. A salesman sometimes goes 'stale' on his territory. That is, he gets so accustomed to selling a certain group of dealers that he overlooks opportunities for new business. Or, possibly, he finds a class of dealers it is difficult for him to sell. A shifting of territories often brings a salesman with a fresh point of view into the field and he often can develop new business. Such a change recently resulted in an increase of sales of nearly 15% on the part of both men involved."

One house handling a nationally known line of clothing bases its sales quotas on the total average increase of all the salesmen for the previous year. This house has a large sales force. If the average increase of all the men during one year was 15% over the previous year the house would expect this rate of increase from each of its men the next season.

Another concern arranges its 66 sales territories in order of population. Sales in each territory for each month are arranged in order from highest to lowest. The company believes the territory with the largest population should have the largest sales, and has worked out what it considers to be a reasonable percentage of sales based on population. By comparing the monthly sales by territories with the population figures the company is able to judge the work of the men in each territory.

One wholesaler, who also manufactures several of the items he carries, first made a study of his salesmen's likes and dislikes as a means of getting the most from a given territory. This man is a national

distributor and sells to both jobbers and dealers.

His first step was to organize the order-handling system so that a record of each item sold by each man could be transferred to a tabulating card (Figure 15). On this card are recorded also the date of the sale, invoice number, salesman's name, state or territory the sale was made in, class of trade sold (whether jobber or dealer), size of package, article sold, quantity sold, selling price, amount of sale, cost of goods sold, allowances or deductions, and the shipping point—that is, in his case, from which of the branches the goods were shipped.

These cards were then run through the tabulating machine and the detailed work of each salesman showed up plainly. Previous to this analysis each salesman had an entire state or territory to himself. After the sales had been tabulated for four months the results were compared with the United States census statistics showing the number of jobbers and dealers in each territory.

In one state, for example, the results showed the house was doing one seventh of the business with jobbers that it was getting from a neighboring state and yet the statistics showed the first state had four times the number of jobbers the second had.

In the first territory the salesman was a man who had grown gray in the service of the company. He liked to sell to smaller dealers and could not or would not talk to jobbers. The man in the second territory was young and full of enthusiasm. He regarded the dealers as too small to bother with and went after the big orders only. From the viewpoint of the house much trade was being lost in each territory.

Both men were called in and the situation explained to them. Their cooperation was secured and the first man was sent out with instructions to devote his entire time to dealers, the class of trade he liked.

The second was limited to the jobbing trade. Four new men were hired to cover the jobbing trade in the first state and two men to visit the dealers in the second. The end of the year showed \$50,000 worth of additional business from these states.

The most pleasing feature was the fact that the sales of the first two salesmen increased 35% because they were on the class of work they liked.

From this analysis also developed the idea of cutting down the size of the territories, working them more intensively, and arranging the quotas accordingly. On this basis a unit territory was evolved and the amount each man should sell to jobbers and dealers determined.

In establishing the figures the census statistics, the topography of the country, the transportation facilities, and the density of population were considered, as well as the result of the analysis of each salesman's work.

WHAT HAPPENED WHEN ONE WHOLESALER CUT DOWN HIS SALESMEN'S TERRITORIES

With this scientific basis for allotting territories and establishing quotas the sales manager was able to prove to Williams, for example, that he had too much or too little territory by showing him how his results compared with Tucker's, who was working a smaller territory and getting much better results proportionately.

In several instances it was found possible to cut down territories and yet to see that the men reached higher quotas than ever before. They got down to the trade, knew just what the customer wanted, lost less time on trains, and by locating their homes at central points in their territory they were able to go home every week end and start fresh after a day or two of rest.

The men with this house are paid on a salary basis and the new records enabled the sales manager for the first time to base each man's quota and wages on his real value. Heretofore, salaries were based on the volume of sales. Now they are based on the net profit on each man's sales. Selling an extensive line of articles showing varying percentages or profit, it was found impossible in fairness to the men or to the house to determine the quota showing the value of salesmen from the volume of their sales. The method now used, however, is considered fair.

The house handles many articles and formerly the practice invariably was to allow each man to handle the entire line under his quota. A tabulation of each individual's sales by the amount of business done on each article proved that the average man concentrated on about six of the articles he was supposed to sell and neglected the balance. This was remedied by telling each man just what some other man was doing with the specialties he was neglecting. The spirit of competition generally was enough to make the salesman devote more time to the neglected lines. Sometimes, when business apparently warranted it, another man was put into the territory to push some of the specialties.

One firm believes it should sell 15% of the population when opening a new territory and this is the quota set. With this basis established quotas for the following months are based on previous sales.

In another house an exact record is kept of the number of retail stores in each territory that handle the firm's line. Records of previous years' sales are used to indicate the average annual purchase. This figure is combined with the estimated per capita consumption in each territory and the average is taken as a possible quota for sales for the coming year. The salesmen for this house work on a com-

mission and receive a bonus for exceeding their quota.

Right methods of establishing quotas that indicate just what the sales in any territory should be are of great value in increasing sales, according to many wholesalers. While it is more difficult to determine this accurately in a wholesale house than in a manufacturing plant, owing to the variety of goods carried, some wholesalers have found that by a close study of the possibilities of a territory and then by setting an attainable mark for the salesmen, sales and profits have grown. A fair sales quota, these men say, brings added profits both to the salesmen and to the house.

CHAPTER V

GETTING THE SALES FORCE READY TO GO "OVER THE TOP"

EIGHTEEN months after leaving high school a salesman for a western wholesale house was selling an average of \$10,000 worth of goods a month. He had "made good" at the end of three months, and at the end of a year had begun calling on the highest class of trade in his city.

"Without our course of special training," said the sales manager in telling the story, "this young man would probably have been unable to cope with the older and more experienced representatives of competing houses. His education in the house armed him with a knowledge of salesmanship and a familiarity with woolens, fabrics, and styles."

Courses of special instruction of this sort are only one of many methods wholesalers use to develop their sales forces. These methods amount to the intensive training given to troops in preparation to going "over the top." Special ways to stimulate through wisely selected compensation plans are described in Chapters III and IV. The Bureau of Business Standards' investigation among wholesalers indicated a rather general concentration on methods including these five: (1) "chalk talks" or lectures for salesmen; (2) salesmen's clubs; (3) charts of each salesman's work; (4) fitting the salesman more clearly to his customers and his territory; and, (5) a system of daily reports which aids the sales manager in developing his field.

For three months before they are sent out to get business, the salesmen of the clothing house mentioned in the first paragraph receive daily instructions from the sales manager in the principles of salesmanship, special selling methods, style features of the merchandise, and the production capacity of the house. This instruction is accompanied by a period of practical work in the house and informal talks by department heads on the functions of the different branches of the business. Comparisons with other lines are made and questions are solicited from the "junior" salesmen and are answered by the executives.

The inexperienced salesmen are required to spend a certain amount of time in the shops and woolen departments, studying the construction of the articles they later will sell.

After this probationary period of training, the new salesmen make several trips with an experienced salesman before they are allowed to work alone.

A shoe concern follows a similar plan in helping its salesmen, but makes it a rule to employ only high class, well trained men at the outset. The first plan mentioned, that of giving "chalk talks" at salesmen meetings, has been found effective in strengthening this class of salesmen when given once in a while. Weak men occasionally find their way into the organization, however, and to them "chalk talks" are given twice a week by the sales manager who illustrates the main points of his lectures by figures and graphs on a blackboard which incidentally explains the origin of the name "chalk talks." Talks to the older and more experienced salesmen are given about once a month. Occasionally the standings of the men are recorded on bulletins.

A second plan which has helped to build up the sales force in many wholesale houses is the organization of salesmen's clubs. The salesmen for one cloth-

ing concern have organized a club which meets each week. Business experiences on the road are discussed and resulting suggestions are incorporated in the minutes, which go to the sales manager and other executives. The executives also meet each week and in these conferences the minutes of the salesmen's group meetings are found valuable in analyzing the territory. The club meetings have developed a spirit of cooperation and enthusiasm which has manifested itself in an increased volume of sales.

SALES CHARTS THAT SHOW HOW EACH SALESMAN CAN
INCREASE HIS "BATTING AVERAGE"

The third of the five methods used to spur the salesmen on to greater endeavor is to put each man's sales in graphic form. By placing before the salesmen pictures of results of individual work, one wholesaler operating in the Middle West aided the development of the whole force with a series of charts showing the relative standing of each man. These charts, which are designed as ladders, bring out distinctly the weak points and strong points of the organization as well as of the individual.

With one chart (Figure 16) the sales manager showed a comparison of the salesman's volume of sales with profit earned by the house and at the same time (by use of encircled numbers) the relative size of his expense account for the year. The charts show at a glance how sales and profits balance and enable the wholesaler to determine whether a salesman is pushing profitable lines.

It will be observed that Smith, the fourth man in sales, has dropped to sixth in profits. This man is at the bottom of the laundry soap ladder (Figure 17) although selling the largest number of cases of goods is the lowest profit producer. As handling soap is often rather unprofitable, the reason for the drop is

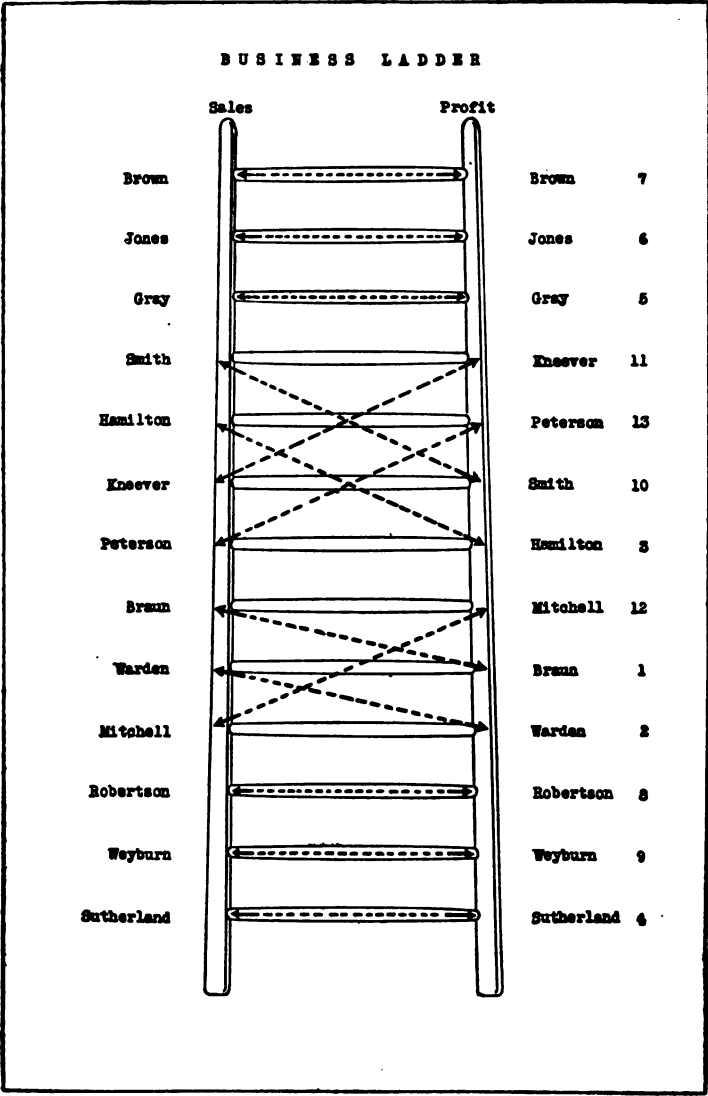


FIGURE 16—With a series of sales “ladders” one sales manager keeps the work of each salesman before him. The numbers indicate the relative size of expense accounts. This ladder shows the men’s standing in terms of total sales and of profits.

LAUNDRY SOAP LADDER

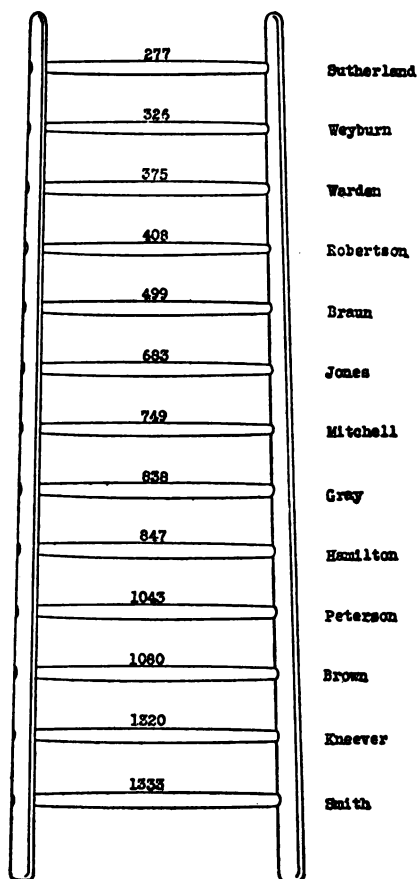


FIGURE 17—Sales on soap are recorded on a separate chart. In this way the sales manager is able to point out clearly to his men the danger of concentrating too closely on one line of goods, often to the detriment of other lines.

instantly seen. In this wholesaler's way of looking at things, the salesman selling the most low profit commodities should go to the bottom of the ladder. This is illustrated in the sugar ladder (Figure 18), which shows the percentage of sugar sales to the total sales for the year made by each man.

In profitable lines the man having the largest sales volume naturally goes to the top of the ladder, although he need not necessarily congratulate himself. On the top rung of the vegetable ladder is a man with sales of 3,175 boxes of two stipulated brands, while at the bottom is a man covering territory equally as large, and apparently as productive, with but 580 boxes to his credit (Figure 19). However, both men are weak in total sales with profits (Figure 16). Obviously, the figure of the top man is abnormally high and out of proportion, showing that he has devoted too much time to one line. The other extreme is illustrated in the case of the bottom man.

This wholesaler constructed a composite chart from the figures shown on these ladders, indicating the relative position of each man, as indicated in Figure 20. By thus pointing out the weak points in the force he was able to give each man an idea of where he could bolster up his work.

These charts were displayed at an annual banquet of salesmen. Every month since that time similar charts have been shown on the bulletin board in the weekly meeting room. In five months the sales of the company increased nearly one sixth, and the weaker salesmen had brought their work up to a higher standard. These particular charts happen to refer to certain lines of productions, but of course charts like them could be gotten up for practically any line.

Definite knowledge of where and how each customer stands, enables the sales manager to direct the work

with precision and to develop it effectively from every angle. This fact underlies the fourth of the five methods—fitting the salesman to his customers and to his territory. The sales force for a wholesale clothing concern in a western metropolis consists of 25 experienced men who cover the entire United States and parts of Canada, and an equal number of “junior salesmen” in the city. The road men are out about six months of the year. Three months are devoted to each seasonal trip. The salesman visit about 1,600 towns in the United States, ranging in population from 2,500 up. Five territories are arranged to take in certain sections of the country surrounding a large city. The remaining 20 territories include the smaller towns.

SALESMEN WHO USE THIS PLAN OFTEN HAVE A BETTER
CHANCE OF GAINING CONFIDENCE

With this arrangement, the work of analyzing the company's field is facilitated for the sales manager. Daily reports keep him acquainted with trade tendencies and the progress of sales. By studying these reports, and by observation through personal visits into the various territories, he finds it easier to select men especially adapted to each individual territory.

This sales manager has classified clothing merchants as follows: “high pressure” men, or the more prominent ones; the “middle class” men; and, finally, the “low pressure” men. Naturally, he does not expect a raw salesman to visit “high pressure” men, or a high class salesman to call upon trade in the last class. He has, therefore, divided the salesmen into three classes, A, B, and C. Class A salesmen call on the “high pressure” men, and so on down through the three groups.

When salesmen are furnished with definite and tangible information about the retailer's needs, in

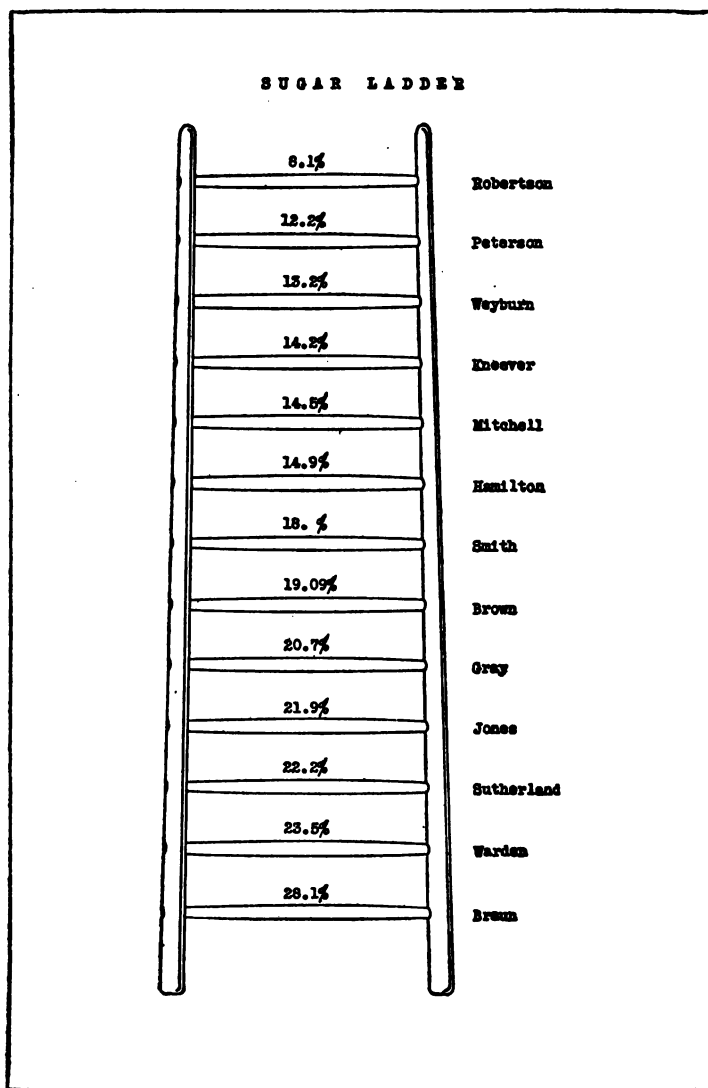


FIGURE 18—Sugar generally yields a comparatively small margin of profit, therefore it is important to keep a record which will check salesmen's tendency to devote too much time to the sale of this item to the exclusion of more profitable goods.

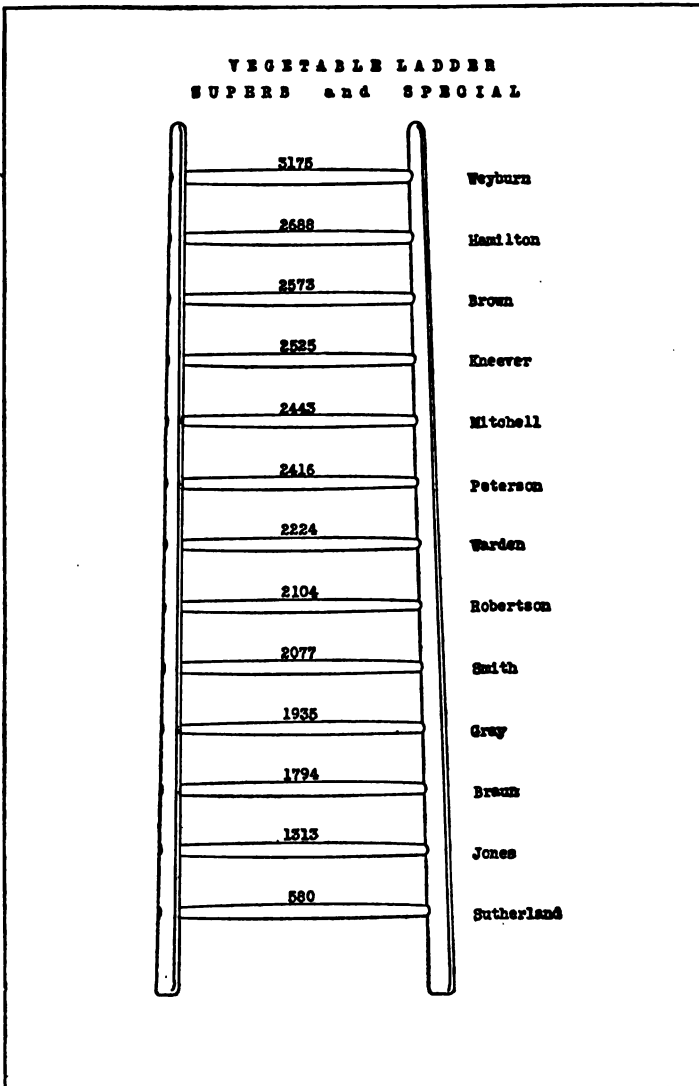


FIGURE 19—Most canned goods carry a fair margin of profit and sales in this line are encouraged. It will be noted, however, that Weyburn who stands first on this chart is low in the total sales column (Figure 16).

order to fit them to their territories more closely, the approach often is made easier, and the valuable element of time is conserved. One wholesaler who favors exclusive dealers feels his system concentrates the selling policy and removes the waste caused by shotgun methods.

DEFINITE LEADS FROM THE SALES MANAGER HELP
SALESMEN TO LAND PROSPECTS

"We sell only through an exclusive dealer in a town," he explains, "and this cuts out waste that otherwise would be assessed against the selling cost, and fits our men very closely to their territories. The other day a retailer in a certain town wanted to handle our goods, but we turned him down. We knew that if we sold him the regular dealer might be offended and difficulties that would probably cost us both accounts would arise." This wholesaler has made an investigation of the "one dealer in a town" policy, and says he is convinced that it results in increased sales and larger profits all around. There are, no doubt, in other lines, just opposite conditions, but his opinion is given merely to bring out his way of looking at the problem.

"When we give a merchant the sole selling privilege," the wholesaler points out, "he can go ahead and use it as an asset in building up his trade. We centralize our efforts and this, of course, cuts down both sales and accounting expenses. We find bad debts are greatly reduced also. We are able to devote more work to cultivating the retailer as an outlet for our goods."

For instance, this wholesaler had been selling four stores in a Michigan town of 15,000 (Figure 21), but with the change in policy the goods were confined to one store. The sales amounted to about \$2,000 a year in the four stores, but in the one store they reached a total of nearly \$5,500 the first year. When the

dealer knew he had an exclusive agency, he advertised the line extensively and pushed it hard over his counters.

One hardware concern sees that men are fitted to the territory before they are employed. For example, if the house needs a man in Maine, it employs a native of that state or at least a man having adequate knowledge of the conditions there. Years of this method of selection have enabled this company to build up a strong selling force and the loss sometimes caused by breaking new men into strange territory is largely eliminated. With first hand knowledge of people and conditions the salesmen have built up business rapidly and helped the company to maintain a comparatively low advertising cost.

Another western concern with the same object in mind, although not employing men direct from the territory, urges its salesmen to study its conditions, and requires them to report by letter every week. Stimulus is added by awarding bonuses for developing new business. Not long ago the sales manager of this concern received numerous complaints from salesmen regarding their respective territories. He made a list of the commercially rated merchants who were not handling the company's line.

Selecting two of these in each town in the territory, he had the list typewritten. Each time a salesman came to him with a protest the sales manager handed him one of the lists. After reading the long list of merchants in the field he was covering, whom he was not visiting, the salesman usually ceased to complain about the smallness of his territory. The sales manager emphasized the possibilities of the field and the lists were helpful in strengthening his position and giving the sales force an incentive to greater effort.

Daily reports—our fifth plan—comes next. These reports are mailed under one concern's plan on simple

Table Showing Relative Standing of Salesman in Different Commodities and in Total Sales Volume					
Salesman	Laundry Soap	Vegetables	"Shorts"	Sugar	Total Sales Volume
Brown	10	3	11	8	1
Jones	6	12	13	10	2
Gray	8	10	12	9	3
Smith	13	9	2	7	4
Hamilton	9	2	8	6	5
Kneever	12	4	1	4	6
Peterson	11	6	5	2	7
Braun	5	11	9	13	8
Warden	3	7	10	12	9
Mitchell	7	5	4	5	10
Robertson	4	8	7	1	11
Weyburn	2	1	3	3	12
Sutherland	1	13	6	11	13

FIGURE 20—A tabulation from the charts shown in the four preceding figures pictures the standing of each salesman and enables the manager to show each man quickly just how and where his work could be improved.

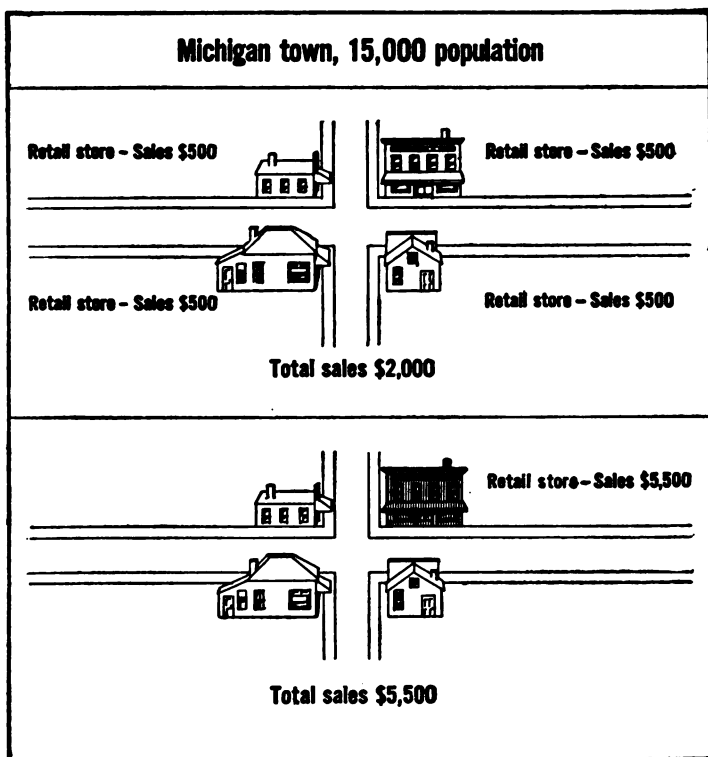


FIGURE 21—When one wholesaler stopped selling his line to four retailers in a small city and gave one retailer the exclusive agency, that city's sales jumped from \$2,000 to \$5,500 annually.

DAY AND DATE _____								
Salesman	NAME OF ACCOUNT	Season		Season		Season		
		Amount ordered	Average selling price	Amount ordered	Average selling price	Amount cancelled	Amount ordered	Average selling price

FIGURE 22—A pad of these forms is carried and used by every salesman for a western house.

forms (Figure 22), with space for the salesman's initial, name of the dealer, amount ordered, and the season, the average selling price, and the amount canceled. This information is transferred to a special form (Figure 23), which summarizes the reports of each salesman and shows the orders and cancelations for the same time a year previous. Thus, the sales manager sees instantly how the salesmen are developing. He sends a weekly letter to them, telling them how they stand in sales, acknowledging orders, and giving advice.

DAILY REPORTS OFTEN INDICATE WHETHER SALESMEN
ARE SLIGHTING CUSTOMERS

Salesmen employed on the commission basis for a shoe company are obliged to send in detailed reports (Figure 24) for the day's work. At the end of the week they send in a report (Figure 25) of the route they will cover the week ahead. This is carefully checked in the office, and if changes are deemed necessary the proper instructions are promptly sent out, often by wire. Or, if in checking the routes at the end of the week, it is found that the salesman has overlooked a customer, he is made the subject of a special inquiry as to why he has not visited that particular individual or firm. By comparing the sales daily with those of the previous year the sales manager is able to tell whether the sales to a certain merchant do not measure up to the amount purchased the previous year or season, and if not, the salesman is sent another sort of query.

With the salesmen continually "on the jump" the sales manager must often take personal charge of a prospect. By keeping a card index file of prospective customers—really a series of "daily" reports—the sales advertising manager for a large clothing concern in Chicago is able to combine correspondence and per-

sonal calls in developing new business. The names of prospects are filed in alphabetical order and on each card—the “daily” report—is noted that time when letters and advertising matter are sent and when calls are made.

Shortly before the investigation among wholesalers was made by the Bureau of Business Standards a customer was landed with an initial order of \$22,000, following nearly a year's personal work by the sales manager. How this campaign worked out is shown on the cards in the sales manager's file, as follows:

- April 15 — Called on prospect and found him opposed to advertising any goods but his own. He would not see goods.
- April 26 — Called on prospect. He was out of city.
- June 26 — Sent letter number 1, quoting success of merchant with goods.
- July 10 — Sent letter number 2, giving description of alteration saving on specific models.
- July 27 — Sent letter number 3, with advice:
"Today more than ever the public is inquiring into the source of goods of every character."
- August 12 — Sent letter number 4 — Gave talk on the cost of doing business and offered suggestion of increased volume and decreased overhead.
- August 21 — Sent letter number 5, quoting a business expert's opinion as to proper methods of decreasing overhead by increasing volume with known goods.
- September 15 — Advertising copy started. Sent weekly as evidence of ability of advertising section to assist sales.

REPORT OF ORDERS AND CANCELLATIONS AT CLOSE OF ____										
					This Year	Last Year	INCREASE		DECREASE	
							Amount	%	Amount	%
Number of Orders Received on Above Date										
Net Amount of Orders Received on Above Date					Tropics					
					Regulars					
Value of Orders					Tropics					
					Regulars					
Amount Ordered from Same Customers										
Net Number of Garments					Tropics					
					Regulars					
Average Selling Price					Tropics					
					Regulars					
SALESMAN	Amount Ordered		Amount Canceled		Net Amount Ordered		DIFFERENCE			
	This Year	Last Year	This Year	Last Year	This Year	Last Year	INCREASE		DECREASE	
							Amount	%	Amount	%
A. C.										
M. C.										
P. H. D.										
J. K. G.										
D. H. H.										
H. E. P.										
E. T. K.										
H. M.										

FIGURE 23—Reports sent in on the form in Figure 22 are tabulated on this order and cancellation form, where they can be compared with the salesman's previous record.

SALESMAN'S DAILY REPORT		
DATE <u>12/6</u>		
TOWN	CALLED ON	Sold (Dollars only)
<i>Cedar Rapids Ia.</i>	<i>L. M. Stevens & Co</i>	<i>\$1,620</i>

FIGURE 24—Salesmen for one house are required to mail in a report each night showing their day's record.

MAIL ROUTE LIST SO IT WILL BE RECEIVED MONDAY OF EACH WEEK

Route list for week ending 11/9 19

DAY AND DATE (DATE EACH DAY)	BELOW ENTER THE NAMES OF THE TOWNS AND STATE TO BE VISITED NEXT WEEK	ADDRESS MAIL TO THE TOWN GIVEN BELOW
Monday Date <u>11/9</u>	<u>Gary and Lee Peter, Ind.</u>	
Tuesday Date <u>11/10</u>	<u>South Bend, Ind.</u>	In Care <u>Gary Hotel</u>
Wednesday Date <u>11/11</u>	<u>Detroit, Mich.</u>	In Care <u>Oliver Hotel</u>
Thursday Date <u>11/12</u>	<u>Green Bay, Wis.</u>	In Care <u>Hotel Foster</u>
Friday Date <u>11/13</u>	<u>Green Bay, Wis.</u>	In Care <u>Post Tavern</u>
Saturday Date <u>11/14</u>	<u>Green Bay, Wis.</u>	In Care <u>Green Hotel</u>
Sunday Date <u>11/15</u>	<u>Green Bay, Wis.</u>	In Care <u>Post Tavern</u>
Monday Date <u>11/16</u>	<u>Green Bay, Wis.</u>	In Care <u>Post Tavern</u>

Sign here R. G. Wells

FIGURE 25—In one house salesmen are required to mail a schedule of their routes for the next week. This enables the to sales manager learn if any customers have been overlooked.

NOTE—Be sure to give correct name and address, street and number.
In firms, give individual names comprising them.

SALESMAN'S REPORT

NAME A. C. Dover Company DATE 7/11 19

ADDRESS 164 Water Street, Jamesville, N. Y.

1 Business Clothing and Drygoods

2 Does it appear prosperous? Yes

3 Value of stock \$30,000

4 Condition of stock Good

5 Value of real estate \$15,000

6 Location of real estate Center of business section

County State

7 Where does he bank? Merchant Savings

8 Is he insured? Yes

9 What do you consider a reasonable line of credit? \$5,000

10 Principal merchandise creditors E. D. Jones & Co. and H. H. Co.
and A. C. Andrews

My own opinion

Salesman A. E. Thomas

FIGURE 26—One wholesaler uses his salesmen to check up on the credit of his customers. To make this work as easy as possible he devised the above form.

HELPING SALESMEN WIN OUT

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- September 25 — Called on prospect. He was not interested. Goods were shown, particularly specialties away from ordinary.
- October 25 — Called on prospect and talked on advertising boosting business as contained in letters 1, 2, 3, 4, and 5. The prospect was shown results of advertising department's efforts with others.
- October 31 — Prospect wrote for copy of a certain series of "ads" shown him on October 24.
- November 15 — Other "ads" sent with thanks.
- November 28 — Weather cold. Sent prospect samples of luster coats for immediate delivery.
- December 7 — Newspaper article on advertised lines sent prospect.
- January 10 — Booklets — "Manufacturer, Retailer and Branded Merchandise" sent.
- January 15 — Called on prospect — seemingly interested — may visit plant.
- February 1 — Received word from prospect making appointment to see plant.
- February 2 — Makes visit to plant — will decide later.
- February 9 — More new novelties sent — no reply.
- February 13 — Called on prospect — not ready to make decision — impressed with plant — in a receptive mood toward advertised merchandise — on "the fence."
- February 16 — Interview with advertising manager — capable man.

February 23 — Advertising matter sent.

February 24 — Reply that decision is made to handle the goods.

March 2 — Called on prospect, extended thanks and arranged date to buy goods.

March 12 — Samples of spring goods sent.

March 24 — Sale consummated.

Thus the sales manager landed a good customer because he could devote well directed time to him, through the directing help of his "daily" report cards, when the salesman would have been unable to devote the necessary time to the prospect. While making this systematic "drive" he called upon other prospects. In this way he was getting new business at comparatively little expense, developing a friendly feeling among customers, and familiarizing himself with the territory.

The salesman can often help the house, if assisted by the proper sort of reports, in making collections. When a customer is slow in meeting obligations it is sometimes difficult to effect a settlement by correspondence without losing future business. Wholesalers have found that satisfactory results in almost every case can be accomplished by the visit of a tactful representative.

To impress upon his salesmen the necessity of keeping their accounts in good order, a wholesaler in the West sends to them with their collection sheets every week this notice:

The enclosed statements show many past-due bills. Get after all of them, because you know it is much easier to sell a customer who has a clean account than one who is behind and has many past-due bills. Unpleasant business relations with customers easily can be avoided if salesmen use more effort

and diplomacy in insisting upon payment of bills when due.

It avoids holding their orders.

A customer often does not give you an order because he has an overdue account.

You lose trade by not having clean accounts.

You can help -- be as good a collector as you are a salesman.

In a like manner, investigation showed, many wholesalers impress upon their salesmen the importance of getting credit information and sending reports thereon. A wholesaler in the West supplies his men with forms (Figure 26) upon which the data may be given, thus simplifying the work.

It is only by using methods similar to the five described here that salesmen can be kept keyed up to their best work, according to one wholesaler. "Handling trained salesmen is like handling pure bred race horses," says this man. "They have to be coaxed and encouraged and given the stimulus of competition before they will go their best pace. And once they are off on the circuit it requires constant watchfulness and a steady rein to keep them from breaking before they come under the wire."

CHAPTER VI

HOW TO ADVERTISE TO WIN

EIGHT prospects out of every 10 solicited were sold and sales were increased 26%; this is the record recently hung up by the salesmen of an Illinois wholesale house. A six months' campaign of intensive advertising made this record possible. Before the campaign the same salesmen sold only four or five out of every 10 prospects visited.

Space in 16 newspapers costing \$6,600 was used by this concern to familiarize its retailer customers with its lines. This display advertising was backed up by personal letters to the retailers, containing suggestions for attractive window displays, and inviting them to call upon the salesmen for cooperation. One of the letters follows:

Dear Sir:

What do you think of the advertisements we have been running in the magazines and in your local newspapers recently? These advertisements will continue to appear each week for the next six months.

You are the one who benefits first from this campaign. Of course, you want to increase your sales of our goods as much as possible. It occurs to me that a live window display of our line in your store would help drive home the interest our advertising is arousing among the people of your city.

Perhaps you already have had such a display. If not, the enclosed proofs of pictures of successful displays used by other

dealers may offer some suggestions to your window trimmer.

Please feel at liberty to call on our salesmen at any time for help on this or other sales problems you may have. Our men are ready to cooperate with you.

Investigation made among wholesale merchants by the Bureau of Business Standards showed that the cost of advertising varies widely in the different wholesale lines. The wholesale grocer, for example, spending less than 1% of his total sales, normally finds it desirable to confine his expenditures along lines that might not be satisfactory in the clothing house, which usually spends from 2% to 3%. Detailed advertising figures for a number of lines are given on page 66.

Among the methods used to get better results from advertising are: (1) a careful study of the territory to determine where advertising pressure is needed; (2) using the salesmen to keep in touch with the needs of the retailers; (3) working out plans for the most effective use of trade journals, signboards, street ear advertisements, and booklets; (4) using photographs; and (5) making the most of an attractive package through demonstrations.

We will take up these five methods in the order named—first comes the one providing for a careful study of the market to determine where advertising pressure is needed. The head of a wholesale house in the South whose total sales are about \$1,000,000 a year, spends from \$7,500 to \$10,000 annually for advertising. At the beginning of the year he fixes his appropriation at three fourths of 1% of the total sales for the preceding year. He has been advertising for the past four years, and his appropriation has grown from \$2,000 to \$7,500. While agreeing with the many who feel it desirable to set a fixed sum every year, he

ADVERTISING COSTS

Hundreds of the smaller wholesalers, especially those whose field of distribution is distinctly local, investigation indicates, did not recognize advertising as a specific expense, and the cost of calendars, memorandum books, and other souvenirs issued by them often was carried in the general expense. Some wholesale grocers spend as high as 0.75% of their net sales annually for advertising. They cover a wide territory and distribute their own brands of package and canned goods. On the other hand, grocers whose business is confined to narrower sections sometimes put out only a few private brands, and their advertising expense, investigation revealed, seldom exceeds 0.25%.

(Firms with Annual Sales of More than \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.4%	0.3%
Clothing.....	2.0%	1.8%
Hardware.....	0.7%	0.5%
Shoes.....	0.4%	0.3%
Drugs.....	0.4%	0.5%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.4%	0.3%
Clothing.....	2.0%	1.4%
Hardware.....	0.3%	0.3%
Electrical Goods.....	1.5%	0.5%
Dry Goods.....	1.5%	0.9%

(Firms with Annual Sales of Less than \$500,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.1%	0.1%
Hardware.....	0.3%	0.2%
Electrical Goods.....	0.4%	0.2%

finds that his appropriation always has been exceeded because of emergencies of one kind or another. He believes that to adhere blindly to the set sum might defeat the main purpose of the appropriation: getting the best results from every corner of the field.

*Typical percentages given in this book are averages of the most carefully compiled cost figures given to the Bureau by dealers in the four classes indicated.

Attainable percentages are averages based on the costs of the most effectively managed and successful concerns picked from the entire group from which the typical percentages were obtained.

First of all, this wholesaler studies his products and the territory to see which lines are moving slowest, and where advertising pressure should be exerted to move them. A new line, for instance, may be showing strength, so it is decided to play up the line in the advertising campaign. The area of activity and the competition is carefully studied. Then the sales force is called into conference and the proposed campaign is discussed with special references to the good will of the retailer. At this conference there is a thorough discussion of the retailer's individual problem as determined by the salesmen. Merchandise that may move quickly in one community often is found to be slow in another, and it is, therefore, necessary to concentrate the advertising accordingly.

WHY IT IS PROFITABLE TO GET DEALER COOPERATION
IN CARRYING OUT ADVERTISING PLANS

Although reluctance among wholesalers to spend money for advertising quite generally has been overcome, it nevertheless may be interesting to relate the experience of one wholesale house.

Five years ago this house spent very little on advertising and the first year the house advertised more largely the selling expense was 8%, without the cost of advertising, of course. Last year the selling expense was 5% and the head of this house gives credit to advertising alone for boosting the sales volume and lowering costs.

Some wholesalers find it difficult to secure the active support of the dealers in starting an advertising campaign. One large wholesale concern calculates that losses due to this indifference exceeded \$5,000 in one season. By using the second method—that of getting the cooperation of the dealers through the salesman—this wholesaler reduced this loss.

The salesmen were instructed to arouse the re-

tailers to the necessity of prompt and proper displays of the advertising matter that the house sent out from time to time. It was found, however, that unless the salesmen were quick to assist in making the window displays, distributing the signs, and laying out the newspaper campaign, the advertising often was neglected. As a result, the wholesaler found that much of his advertising material was wasted.

To overcome a similar situation a middle western house devised a form (Figure 27) that is sent to all active dealers, and the use of this form is urged in a follow-up letter. The form is felt to serve a double advantage. First, it obtains a better distribution of the advertising, and second, it gives the dealer "leads" that he might not think of if he had to make a formal application for advertising matter by letter to the company.

The sales force is, as already indicated, a decided help in getting the best results out of advertising. Another concern that spends about \$50,000 a year in advertising enlists the active assistance of the salesmen in keeping the advertising department informed. When a new customer is gained the salesman fills out a special form that provides for detailed information regarding competitors, the appearance of the store, the location, the dealer's views of advertising, and his willingness to use the various gratuitous aids.

This form usually helps to indicate the kind of advertising best suited to the dealer and it also enables the credit department to determine the nature of the risk. With this data before him, the advertising manager often avoids indiscriminate distribution of advertising material.

This method is supplemented by another form (Figure 28) on which the salesmen make out a report for each town on the list where an order is not taken.

ORDER FOR ADVERTISING MATTER

Please fill out and return

Date _____

Please reserve for us the following advertising matter for fall:

Quantity

<u>✓</u>	Style books to be mailed for us by B. K. & Co	Mailing list will be sent
<u>500</u>	Style books to be sent with envelopes direct to us;	about <u>2/11</u>
<u>6</u>	Posters for billboards. (16-sheet size)	
<u>✓</u>	Sets of street car cards. Free of all charge. 4 different cards to each set	
<u>2</u>	Sets of window fashion cards. Free of all charge	
<u>✓</u>	Sets of price cards. Free of all charge	
<u>1</u>	Sets of lantern slides for moving picture theaters. Three different slides to a set	

Cuts

Newspaper cuts are not to be ordered now. A special proof book will be sent to you from which cuts may be selected and ordered by number in ample time for the opening of the season

Please state below exactly what matter you desire printed on booklets. Write carefully and plainly, so that there will be no errors in spelling and no misunderstanding as to just what you desire

Arthur R. Ballou
High Grade Clothing and Furnishings
824 Main Street
Winthrop N. C.

Signed A. R. Ballou

Town Winthrop

State N. C.

Do you wish copy for newspaper advertising sent weekly? No

FIGURE 27—To cut down the loss from useless distribution of advertising matter and dealer helps one firm devised this form for its retail trade. It also serves to suggest to the dealer effective forms of advertising.

THIS REPORT TO BE MADE FOR EACH TOWN ON YOUR LIST IN WHICH YOU DO NOT TAKE AN ORDER						
TOWN <u>Madison</u>		STATE <u>Wisconsin</u>		DATE <u>5/15/17</u>		
NAME OF FIRM	BUSINESS	WHOSE READY TO-WEAR LINE	WHOSE TAILOR BOOK	LOCATION OF STORE	CLASS OF PATRONAGE	KIND OF STORE
<u>Jas. Barner & Co.</u>	<u>Chr. & F.</u>	<u>Jones Smith Co.</u>	<u>Royal Taylor</u>	<u>1st Class</u>	<u>Best</u>	<u>Modern</u>
<u>Jas. Blank & Son</u>	<u>D. J. R.</u>	<u>No representative</u>	<u>Myoline</u>	<u>Good</u>	<u>Fair</u>	<u>Good</u>
<u>Jas. Doe & Son</u>	<u>Ch.</u>	<u>Competitors</u>	<u>No</u>	<u>not class</u>	<u>not class</u>	<u>Fine</u>
REMARKS <u>(1)-Handle Jones Smith for 20 yrs. cannot displace</u>						
<u>(2)-Not representative enough for us.</u>						
<u>(3)-Jas. Doe & Co. progressive & will land for Spring 18-</u>						

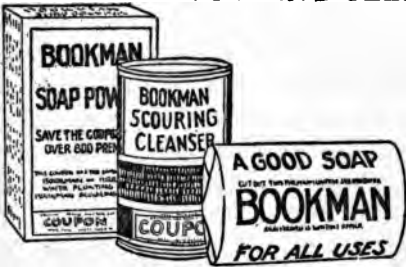
FIGURE 28—Continual analysis of the field is made possible in one clothing house by requiring the salesmen to report on a form like this every call made where an order was not obtained.

BOOKMAN

SOAP

SOAP POWDER

SCOURING CLEANSER



BOOKMAN SOAP

"A good soap for all uses." For laundry, kitchen and general house-cleaning. Its good qualities are extensively advertised.

BOOKMAN SOAP POWDER

An excellent washing powder in a generous size package. Excellent for use in either hot or cold water.

BOOKMAN SCOURING CLEANSER

"A dirt dispeller" for any kind of kitchen utensils, etc. This member of the Bookman family is also a ready seller.

A GOOD SOAP

BOOKMAN

FOR ALL USES

You can sell Bookman to advantage. It is a good soap for all uses—a profitable soap for all dealers.

FIGURE 29—Many wholesalers apparently have found the trade papers a profitable advertising medium in pushing private brands. Advertisements similar to this one have helped.

This acts as a continual analysis of the field and gives specific reasons why sales cannot be made. It also shows the standing of competition, the class of the dealer's patronage, and the possibility of securing future business.

HERE'S A PLAN THAT INCREASED SALES 38% IN ONE
YEAR FOR ONE WHOLESALER

The third method of getting better advertising returns has been worked out successfully by another wholesaler. After deciding upon the extent of his advertising campaign, this wholesaler makes a careful check of the trade journals to learn the number and character of retailers they reach. Since many of the small dealers follow the advertisements in these mediums for the real news of the market, the appeal appears to be strong. Prices and qualities of goods can be compared effectively and the newest methods in the trade emphasized.

In one year this wholesaler spent \$4,260 in the trade papers advertising a line of goods. A sample of this advertising is shown in Figure 29. Supplementing this advertising is a series of dealer helps in the way of bulletins, advertising copy, electros, and window displays. Catalogs are issued twice a year at a cost of about \$12,000. This type of promotion increased the sales 38% in one year.

Before sending out the electros, which cost from 30 to 40 cents each, or offering the window displays, which cost about \$9 each, this house asks for a detailed report (Figure 30) from the salesman concerning the prospects in the field and the ability of the retailers to use the helps to advantage. This prevents wasteful distribution and generally insures proper use of the advertising.

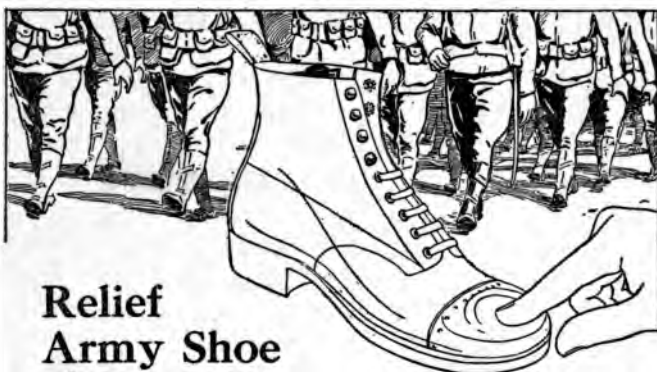
Methods employed by this wholesaler are typical, in a general way, of plans that have proved successful

in several lines. Not long ago a wholesale shoe house for the first time decided to use extensively signboards, street car cards, and booklets through the dealers. One of the street car cards is shown in Figure 31. To carry out the plan the appropriation was increased from four tenths to six tenths of 1%. After examining the information gathered during the preliminary investigation, the advertising manager selected locations for signboards and closed contracts for street car cards.

An order was placed for 1,000,000 booklets and these were sent to the dealers for distribution among the trade. When the returns were checked up at the end of the year the sales showed a healthy increase, but not much of the growth was traceable directly to the additional advertising. When the appropriation for the following year came up for consideration, the amount to be spent was cut down to 0.5% and the signboards, street car cards, and booklets were eliminated. The trade journal publicity was made more extensive and the newspapers were recognized by the house for the first time on a big scale, although it was not felt that the action really denoted any definite conclusions reached regarding the comparative values of the various mediums.

This house made an investigation by mail and through the salesmen to determine what form of publicity appealed most strongly to the different units in the territory. It was found that advertising bearing on current events pulled stronger than any other. It subscribed for the leading magazines and newspapers, and all material of current interest relating to the trade is clipped and filed. Along with this, a clipping bureau contributed material and photographs that were effectively used.

When the American troops were called into the war with Germany, the advertising manager had a "close up" photograph made showing marching



Relief Army Shoe

For Soldier, Farmer or Business Man

—anyone who wants Supreme Comfort

Any man who must use his feet a great deal and wants to go home at night rested—so far as his feet are concerned—should have these shoes. Wear them all day and you'll not feel like pulling them off the moment you enter the house.

They have scientifically constructed saddles or arches for the feet to rest in, which hold up the arches in their proper places and allow the feet to rest comfortably in their normal position.

This feature corrects the method of walking—enabling the wearer to walk straight instead of “toeing out.”

The heels are slightly orthopedic—the lifts extending under the arch thus giving additional support and relieving the leg strain occasioned by lack of support to the arch in some footwear.

It is an ideal shoe for any man who wants comfort.

FIGURE 32—Advertisements like this that aim to capitalize popular and timely appeals are used largely by one shoe wholesaler. He runs them in both newspapers and magazines and says the results secured are entirely satisfactory.

Salesman's name J. L. Ober
 Customer's name Fuller & Davis Co.
 Clothing or general store general Address 114 State Street
 What other lines of clothing does he handle? The R & P and the J & M.

Describe appearance of customer's store
 Front good display window - well arranged.
 Interior crowded - needs better display cases.

State location of store central - on heavy traffic corner.
 Give size of store 97 x 34.

What clothing manufacturer's name displayed on front? None.
 Describe what fashion cards are displayed in window or inside store A few R & P fashion cards.

What local outdoor advertising is customer doing: posters, street car cards? None.

What are his views on advertising? Favors newspaper advertising and direct mailings.

To what extent is he advertising in newspapers—either other lines or ours? Small ads twice a week.

State approximate volume of business \$100,000.
 State approximate volume of clothing business \$70,000.

Is he progressive? Yes.
 What class trade does he get? Medium - salaried men.
 Give comparative standing of merchant in town second or third.

Remarks: He would be glad to use some of our dealer helps.

FIGURE 30—By using this form to describe a dealer's business the salesman helps both the advertising manager and the credit department to plan their work more effectively.

5 Busy Walkwell Booteries Here—Men's and Women's—and no wonder, because

—“half the fun of having feet is that You can enjoy wearing Walkwell Shoes”

Do You Read the Papers?—Walkwell Advertisements are Worth Looking For.

FIGURE 31—Street car cards like the one shown above helped one house to increase its sales in a recent year. This card is simple but it pulled well.

soldiers from the knees down (Figure 32). Below the reproduction in the advertisement was an insert showing a shoe made especially for soldiers. This action emphasized the readiness of the house to meet new conditions in the trade.

The national appeal for more gardens was capitalized in much the same way. A picture of a man at work wearing a pair of the company's garden shoes, and below it another picture of the shoe and an explanation of its construction, was printed in colors on cards and distributed to the dealers. Within 60 days after mailing, the sales on this line alone exceeded \$200,000.

THIS MAN SAVED \$10,000 A YEAR AND ADVERTISED HIS
LINE EFFECTIVELY AT THE SAME TIME

Next comes the fourth of the five methods—using photographs for samples. This plan has been found to supply an effective advertising medium in various lines and to reduce the expenses of the traveling salesman. One house, for instance, by means of photographs cut in half the amount of baggage carried by its 25 salesmen and saved nearly \$10,000 a year in traveling expenses. Before, each salesman carried six trunks and a whole day was given to showing the line to each merchant. Now the salesman carries only three trunks and the remainder of the line is shown by photographs. While the average dealer generally wants to see the goods he is buying and is likely to reject photographs, the excellent reputation of this house counteracts this objection.

Salesmen for a hardware concern complained that their samples were too heavy, that they could not show "enough of the line." They were tired when they reached the dealer and were unable to put vigor and enthusiasm into their sales talks. Many instances also were cited by the salesmen where they "could

have sold more goods" had they backed up their arguments with samples.

Following a conference with executives of the company the head of the house ordered photographs of samples from the whole line. These cost more than \$500 but at the end of the month he was able to furnish every salesman with a full line of photographs. Then the salesmen were able to discard many of the heavy sample cases. Their complaints stopped, and their sales increased 27% in one year. A salesman for a hardware house can, for example, with only one photograph, show a dozen thermometers effectively at a minimum of time and labor (Figure 33). One St. Louis house reduced its sample trunks by 600 in less than three years by using photographs.

Photographs can be used in many different ways to draw trade. A wholesaler in the South, who spends \$4,500 a year for advertising, distributed several photographs through his catalogs showing practical plans for attractively arranging stock. In one picture, for instance, a layout of a prescription department near the front of the store was shown. It suggested to the druggist how to advertise his prescription business by locating this department where all the customers would come in contact with it.

Now we come to the last of the five methods. Another form of advertising that has grown in favor is the practical demonstration of merchandise. Since the demonstrations often embrace the expense of samples, erecting booths, and booklets, the cost of this fifth method is often charged to the advertising account. Among wholesale grocers and druggists this kind of promotion sometimes is used extensively. The responsibility of arranging for demonstrations and employing demonstrators is placed on the salesman in the majority of cases.

A campaign of this sort in Wisconsin on a private

KING, BLISS & CO.
DRESS GOODS SPECIALTIES

CHICAGO, May, 1917

First Showing of
40-inch
Voile Orient
in the latest
Color on Color Printing
22¹/₂c
Usual Terms

Aside from the very neat and effective designs, different from others heretofore suggested to you, we call your special attention to the special process employed in their manufacture.

These goods are actually dyed in the piece, then printed, producing a very excellent and pleasing result in finish, style and color effect.

Then, too, it brings about much better results in washing, a point not to be forgotten.

You certainly ought to order some promptly.

Yours respectfully,

KING, BLISS & CO.

"40-yard pieces."

FIGURE 34—Distinctive letters move special lines quickly for one dry goods house. Display type that suggests the quality and price of the goods offered is a strong point of the letter shown, which was considered very successful.

brand increased the sales 42% in one year. The expense of the demonstration, including the materials used, was about \$8,000, but the results were held to justify the expenditure.

In many lines the demonstrations have not been conducted so extensively, but have served the same purpose.]

HOW SALESMEN OFTEN CAN HELP DEALERS TO DEMONSTRATE GOODS MORE EFFECTIVELY

One concern helps its retailers to hold style shows when the new goods are received in the spring and fall. The company's salesmen or saleswomen show the dealer how to display his goods and also give the dealer's clerks instructions in fitting the goods, also telling them the best talking points to use.

The house helps advertise these style shows by furnishing window cards, electros for the dealer to run in his local paper, as well as invitation cards which the dealer can send out to his customers.

Another house which handles several specialties arranges with retailers to have the article demonstrated in their windows. These demonstrations are backed up by display advertising in the local papers. The wholesaler furnishes the cuts and the dealers pay for the advertisement.

So that there may be a connecting link between the advertisement and the article advertised, many wholesalers believe that some one element that is impressed easily upon the mind of the observer should appear in every advertisement. The use of distinct type sometimes attains this end, while often a slogan builds personality around the advertising copy. Unless an unmistakable connecting link is employed, effectiveness often is lost and the product advertised soon may be forgotten. The name, trade-mark, appearance of package, color or arrangement of the

label, all help to add this touch of distinctiveness.

Two large and successful wholesale houses—one handling men's clothing and the other women's cloaks and suits—have, for example, built up their business upon contrasting policies and have developed widely varying commercial personalities.

The men's clothing house emphasizes the quiet and simple style of advertising, beginning with letter-heads and continuing through all its printed matter. Superlatives are not used in its correspondence and salesmen are allowed to make only modified claims and promises. Its advertisements are always conservative and simply worded.

This house aims to limit its advertising to 1.5% of its sales, although it has generally run slightly above this. In one year it spent nearly \$60,000 in trade papers, catalogs, form letters, and small space in some of the national magazines. The dealers' cooperation was enlisted in the use of the newspaper space, the house paying only for the electros and a book of advertising suggestions.

On the other hand, the women's clothing house spends about 1% of its sales with publications but the advertising generally is printed in many colors and is strikingly illustrated. The abrupt sentence, the exclamation point, and the superlative mark all its utterances. The total effect just escapes being flamboyant. Its form letters are often printed in big display type, emphasizing changing styles or extraordinary values in certain lines (Figure 34).

Its catalog is built on much the same line and is backed up by periodical distributions of booklets that are found to be a strong means of gaining attention. This policy, carried out consistently for seven years, gave the house a distinct reputation and won the good will of more than 20,000 dealers. The policy is still in force.

Generally, investigation shows, competition has increased advertising. Most wholesalers now regard advertising expense as one of the fixed charges. The methods described in this chapter have been worked out successfully by wholesalers operating the country over and reached by the investigation conducted by the Bureau of Business Standards. Practically all of them can be adapted to any wholesale business. Investigation also indicated that wholesalers are giving more and more attention to direct advertising. How they are doing this is described in the next chapter.

CHAPTER VII

DIRECT ADVERTISING THAT HITS ITS MARK

THIRTY-TWO mail orders amounting to \$1,092, and 14 overdue accounts settled to a total of \$798, were the cash returns from one individually typed and signed letter sent to 425 retail dealers at a cost of \$34.50 in a recent "drive" by a wholesale company. This letter (Figure 35) "pulled" 323 replies, or 76% of the mailing list. Of this number 103 wrote that "everything was all right," and some offered apologies for not ordering. Nine made plain-spoken criticisms. Thirty-one reported "business poor," and 49 replies afforded a basis for correcting the list. The remaining replies covered miscellaneous excuses.

This record of one letter is telling evidence of the power of direct advertising in the wholesale field. Investigations have indicated again and again that this selling force is receiving constantly increasing attention and endorsement by wholesalers in all lines.

By careful selection and arrangement of names for a mailing list, and by frequent use of this list in sending out form letters, catalogs, bulletins and house organs, wholesalers have, investigation showed, reduced their selling cost and increased good will among the dealers.

Nearly all wholesale houses working through salesmen now keep a complete card file of customers, present and prospective. Every possible bit of information concerning the dealers is kept in this file, such as data indicative of the trade tendencies, the competi-

tion, and the approximate consumption of the territory covered. It is really the backbone of the mailing list, an increasingly important factor in the creation of new business and the distribution of direct advertising literature.

A house in the West has three mailing lists, consisting of the "actives" who buy frequently, "semi-actives" who buy occasionally, and "inactives" who have dropped the lines. Additions and changes are made in these lists daily. There is also a "promotion" list of prospects who receive occasional letters that are followed by visits from the salesmen.

In this house the mailing lists are arranged alphabetically on cards and then divided according to states and towns; classified according to the dealer's standing with the company, that is, as to whether he is active, semi-inactive, inactive, or on the promotion list.

Form letters are sent four times a year to the merchants on the inactive list. One of these letters calls attention to the new catalog and emphasizes the changing styles. An ordinary postal card is enclosed, together with order blanks, and the company invites inquiries for information and requests for samples.

Out of a mailing of 3,000 letters to "inactives," less than one fifth replied. In a second letter to this list the merchant was told that the company was revising the list and invited inquiries as to whether he wished to remain on it. A stamped postal card was enclosed for a reply. The returns on this follow-up exceeded three fifths. The dealers who replied were put on the "promotion list" and also received a catalog. Later a salesman called on them, and then another letter was sent. This method has sold more than two fifths of the total list.

In seeking new accounts one wholesaler finds that follow-up letters serve to reduce selling expense by creating direct leads. Space in trade journals is used

in connection with the letter. By offering booklets on some appropriate merchandising subject it has been found easier to check the publicity returns. For example, a booklet inviting the dealer to write for information on how to keep stock will indicate its pulling power by the inquiries received.

**HOW FREQUENT USE OF A MAILING LIST INCREASED
SALES FOR ONE FIRM**

A wholesale house in the heart of a commercial district in the West spends about \$4,500 a year on form letters to the trade. Small catalogs are also issued twice a year, at a cost of about \$1,000, and the balance of the appropriation, about \$500, goes into the trade papers. The letters are found to be the most effective medium, although the catalog is a strong factor in getting business.

This firm's mailing list is used frequently, sometimes as often as twice a month. When the house wishes to push a certain line, as it often does, it breaks away from the conventional style and plays up the offering in conspicuous type. Besides the actual benefit of bigger business, the list creates many desirable "leads" for the salesmen.

The use of the form letter has become so widespread that many wholesalers have installed time and labor-saving devices for the duplication of letters. Many of these processes have attained such a high degree of perfection that, no matter how large the list, each letter has a distinctive individuality appealing to the dealer who receives it.

The form letter and catalog seem almost inseparably linked in the campaign for new business. With the exception of the small local wholesale concern, almost all houses issue a catalog, some of them once a year and others at the seasonal periods when the demand for merchandise is strongest. Investigation disclosed a

Gentlemen:

Ever had a good customer suddenly quit buying goods in your store? If so, what did you do? You waited until you saw him again and then said frankly: "We haven't seen you in the store lately, Mr. Jones. What, if anything, is the matter?"

You went at him STRAIGHT FROM THE SHOULDER in an attempt to find the real reason why he quit you. Then Mr. Jones probably told you EQUALLY FRANKLY his reasons. If his complaint was a just one and you had made a mistake or had been wrong -- we're none of us perfect -- you did your level best to make amends.

This is just the attitude in which I am writing YOU this morning. I can't see you face to face, but I can TALK with you. We haven't had an order from you since last fall, and I would certainly appreciate it if you told me "right out in meeting" WHY NOT. If any department of this business has failed you I want to know it.

The fact that this business isn't PERFECT is surely not due to any lack of effort on our part, or because we aren't trying to make so. Every season finds us grown out of last year's clothes literally so this year when we had to move into larger quarters. Every season finds us selling better gloves and working harder WITH our customers to make THEIR sales larger, cleaner, and better.

Just put yourself in my place for a minute or so. Turn this sheet over NOW and answer this letter as you would like to have it answered if you had written it. Don't mince words. Give it to me "ho off the bat". Enclosed is a stamped envelope to make an answer convenient.

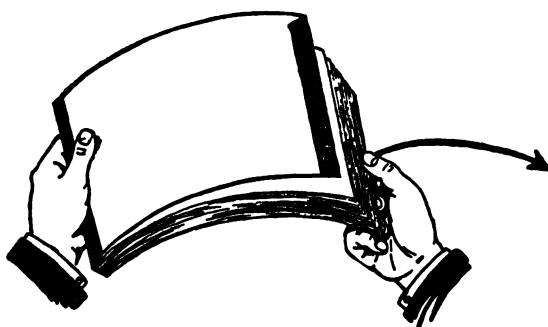
I am looking forward to hearing from you with the keenest interest.

Very sincerely,

P.S. I am enclosing two yellow order blanks. If, as I sincerely hope, nothing whatever is wrong, and you have merely overlooked filling in your stock, these blanks will be an easy way for you to tell us your needs. Any gloves that we send you must please you, your salespeople, and your customers, or we do not expect you to keep them.

FIGURE 35—When a man-to-man discussion of the problems arising between dealers and supplier was impossible, the vice-president of a wholesale glove house put his concern on buying terms with the retailers with this letter.

How to use the index



The cover of this catalog shows the various lines of shoes. If the dealer "staggers" the leaves as shown in the illustration he finds a black mark on pages directly under each division shown on the cover. For instance, if he wants to find "Women's Low Cuts," he bends the book, puts his finger on the black mark directly under this section indexed on the front and finds the women's low cuts illustrated. So on with all divisions shown on the cover.

**MEN'S
OXFORDS**

**MEN'S
GUN
METAL
SHOES**

**MEN'S
VICI
PATENT
KANGAROO**

**MEN'S
TAN
SHOES**

**BOOTS
HI-CUTS
WORK
SHOES**

**BOYS' AND
LITTLE
GENTS'
SHOES**

**WOMEN'S
LOW
CUTS**

**WOMEN'S
PATENT
SHOES**

**WOMEN
DULL
SHOES**

**MISSSES'
CHILDREN'S
INFANT S'
SHOES**

**MEN'S
SLIPPERS**

**WOMEN'S
COMFORT
SLIPPERS
and OXFORDS**

**RUBBERS
AND
ATHLETIC
GOODS**

ADVERTISING

FINDINGS

FIGURE 36—Doing away with the old-fashioned, cut-in thumb index and printing a list of the various departments on the right hand edge of the cover saved money here. The black mark on each part title page makes it easy to find any section desired.

wide range of catalogs varying in size from a dozen to 500 pages or more.

"Making our catalog stand squarely behind the salesmen's claims," says the sales manager of one house, "has greatly increased the effectiveness of the sales force and reduced the expense of selling through the salesmen."

The catalog of this house consists of about 200 pages bound in a substantial cover, printed in a good, solid color not easily soiled. Trade conditions are discussed briefly. The description of the products of the house is accompanied by illustrations and prices. The plan of indexing this catalog saved \$1,400 on one issue (Figure 36). Formerly the catalog had a thumb index, each division being labeled in the "cut-in." Now the labels are placed on the cover at the right hand edge and a short, heavy, black line is printed on the first page of the corresponding division. By bending the edge back this black line is quickly found. Besides the saving in the printing, the new style makes for greater convenience. The distribution of the catalog is based on the card index, which is the foundation of the mailing list.

A number of pages are devoted to postal cards, perforated and ready for use. At the top of each postal card page is the instruction: "Use these mailing cards for rush orders. They will receive the same attention as a telegram." The catalog contains information about the advertising aids used by the house and invites inquiries about the company's co-operative plan. Mention is made of changing styles and information concerning new extreme novelties is given through supplemental bulletins as fast as seems logical.

The postal card system in this catalog alone produces more than \$1,000,000 worth of business a year. Approximately 200 to 250 postal cards from the catalog

are received daily at the company's offices. To maintain and extend the rapidly growing catalog business, the company guarantees (Figure 37) to ship any mail order within 12 hours from the time of its receipt, provided the goods are in stock, or to forfeit a dollar on each order, regardless of its size. The progress of every mail order through the house is recorded by an electrically controlled time stamp that registers the exact minute it passes each department, and when the invoice is mailed, a slip (Figure 38) showing the customer how his order was handled is attached.

The expense of the catalog often is the major advertising expense, with the form letter ranking next. In a wholesale grocery, for instance, spending 3% of its total sales for advertising, nearly 2% went for direct advertising. This applies especially to the houses whose distribution is sectional rather than national, because they were seldom found to be engaging in national advertising.

DELIVERY COSTS ARE KEPT AT A MINIMUM BY A BULLETIN
SHOWING THE COST OF THIS SERVICE

To emphasize the saving when a retailer relieves the wholesaler of the cost of delivery, a wholesale grocery house has established a set of three prices, which are announced twice a month in an issue of 10,000 bulletins (Figure 39). These bulletins, printed in three colors, show the net cash terms, the C. O. D. terms, and the charge and delivery terms. They cost 3 cents each, including the postage, which, with the expense of handling, runs to about \$7,500 a year. The company has on its mailing list every retail grocer in the territory covered and each gets a copy of this bulletin.

"This practically is the extent of our advertising," says the head of the house, "and we find it a strong and satisfactory selling force. Because of the three prices, the bulletin makes a direct appeal to practically every

When You Want Goods Quick!

If goods are in stock and we consume more than 12 working hours in filling your order, your account will be credited with \$1 regardless of the size of the order. Twelve working hours from receipt of the mail order to shipping it if the goods are in stock; that's our "limited train" schedule; we forfeit \$1 on any order that takes longer. You can see by the time slip how it works. The slip goes with the bill to you, to show you how it passed the various stations.

FIGURE 37—One concern made a talking point of its prompt shipments when going after new business. This is backed up by the above guarantee to get the order out within 12 hours.

TIME RECORD OF MAIL ORDER FRIDAY			
RECEIVED	ENTRY DEPARTMENT	PACKING DEPARTMENT	SHIPPING AND BILLING DEPARTMENT
AUG. 8, 9:41 a. m.	AUG. 8, 9:52 a. m.	AUG. 8, 10:25 a. m.	AUG. 8, 10:51 a. m.

N. B. Where goods are in stock if more than twelve (12) working hours have been consumed in filling this order, you are entitled to a "forfeit" of One Dollar. Our working hours are from 7:30 a. m. to 12 m. and from 1 to 5:45 p. m. daily, except Saturday, on which day we close at 1 o'clock p. m.

FIGURE 38—To prove to the customer that the guarantee shown in Figure 37 is being lived up to a form like this is attached to the order when received and is stamped in progress.

Soap	The Popular Olive Oil Soap 50 bars in box.....per box	3.17	3.23	3.30
Rice	Fancy Whole-White Beans 100-lb. bags.....per bag	8.30	8.40	8.50
Coffee	Extra Fancy Large Beans Old-Crop, Free From All Bitter Taste 100-lb. bags.....per lb. 50-lb. pockets.....per lb.	19½ 19½	19½ 19½	20 20½
Milk	Borden's Sweetened and Condensed 4 doz. in case.....per case	7.10	7.17	7.25
Sardines	Smoked in Oil No. 1 size, 100 cans in case. per case	8.30	8.40	8.50
Wax Beans	Whole Refugee White Wax Beans Extra Standard Quality No. 2 size, 2 doz. in case.....per doz.	1.68	1.71	1.75
All Goods are Offered Subject to Market Changes and Being Unsold. Telephone HAYMARKET 400 ALL DEPARTMENTS		RED PRICES Net Cash HAUL Yourself	WHITE PRICES Net Cash on Delivery or C. O. D.	BLUE PRICES Charge and Delivery
Apple Butter	Pure Apple Butter 14-oz. Mason Jar Size 2 doz. in case.....per doz.	1.10	1.12½	1.15
Figs	California Fruit 12 10's in case.....per case	1.20	1.22	1.25
Starch	Gloss Starch 45 5c packages in carton...per carton	1.73	1.76	1.80
Peaches	Yellow Cling Peaches in Heavy Syrup Extra Standard Quality No. 2½ size, 2 doz. in case.....per doz.	2.25	2.30	2.35
Black Tea	Fine Amber Liquor With That Delightful Flavor—This Is a Bargain (Black Tea Is Very Scarce) 20-lb. original boxes.....per lb.	.41½	.43	.44½
Chili-Con-Carni	The Popular Seller No. 1 size, 2 doz. in case.....per doz.	1.36	1.38	1.40

FIGURE 39—Red, white, and blue figures in columns in this semi-monthly bulletin keep the dealer informed of the saving to be made by buying for cash. Note how dealers can save money by paying cash and handling the goods.

grocer. With a wagon to haul the goods and cash for buying, he gets the merchandise at a minimum figure. It will cost him a little more on a charge account and delivery or on a straight c. o. d. shipment. We are able to trace a large volume of our new business to this bit of publicity."

House organs sent regularly to customers, containing items of interest and at the same time advertising the goods, are gaining wider recognition in all wholesale lines, investigation indicated. Probably the most productive is the one which both reaches the dealer and arouses the interest of the salesmen.

A four-page newspaper is the style of house organ issued by one wholesale company. Approximately 600 of these papers are printed weekly at an annual cost of \$6,500, and circulated among the employees of the company and to a selected list of several hundred customers. The paper thus serves to hold the interest of both customers and employees.

In an issue shortly before the conscription law was passed, an extensive editorial on the act, with its relation to the business, was printed. This editorial occupied the first page and part of another page. The two middle columns of the first page displayed the standing of salesmen in the regular weekly contest and a description of the work of each man; the rest of the page carried snappy articles intended to encourage the salesmen.

The second page was devoted to news regarding the trade conditions and the progress of sales work in branch territory, including the gain in road orders and reports on new orders. In the lower left hand corner of the page was a list of the names of salesmen accomplishing a gain of 100% over their predecessors during the current season.

A large part of the third page was addressed to dealers and described ways to get new customers and

to create a larger volume of sales. The remainder of the page showed sample "ads," with a war-time angle, and a list of "best sellers." On the last page were several display "ads" for the use of the dealer. The remainder of the page, about two columns, was devoted to "stock information" and to gaining the salesmen's cooperation in the distribution of window cards.

Getting relations with customers on a "man to man" basis is accomplished by wholesalers of St. Paul in a most effective manner.

Every year, under the auspices of the St. Paul Association of Commerce, a special train carries the city's wholesalers through the entire tributary territory. This train makes many stops. No town is too "jerk-water" to be scheduled for a stop—no retailer too small to be visited. And remember, those making up the trainload are the "big" men of their firms. Presidents, vice-presidents, and other high officials of wholesale concerns make the trip.

The retailers are met, their business is discussed, and an effective personal contact is gained. The wholesalers distribute advertising matter among the men they visit.

"Personalizing" their houses to retailers, many of the scores of wholesalers reached by the country-wide investigation which stands back of this book have usually found to be a sure method of increasing sales and awakening dealer cooperation. This, investigation indicates, can best be done by letters, catalogs, bulletins, and house organs which will give the dealer a more intimate knowledge of the firm with which he is dealing. The successful methods described in this chapter for carrying out this idea will no doubt supply some suggestions through which you can carry out similar plans in your business.

PART II

KEEPING OVERHEAD EXPENSES DOWN

CHAPTER VIII

PLUGGING LITTLE LEAKS MAY SAVE BIG LOSSES

YOU would have discovered 125 catalogs bearing the trade-mark of a wholesale house on the "not found" shelves of one of the substations of the Chicago post office a few weeks ago. These catalogs represented a single day's returns. Each was fully illustrated, contained 130 pages, cost about 6 cents and carried an 8-cent stamp. Because of non-delivery in just this one station, the loss was several dollars.

At about the same time a New York house mailed out its annual catalog. Nearly 600 of these passed through the same substation that laid the Chicago concern's books on the "not found" shelf. Out of the 600, less than a third of those received at this particular station of the post office could be delivered. Each catalog belonging to this second concern cost 4 cents to mail. The post office had stamped on each: "No such party," "Not at," or some similar expression. Neither of these two concerns had placed a return postage guaranty on the envelopes in which the catalogs were mailed. In the one case at least, and probably in both, the matter mailed was worth more than the postage—to say nothing of the value of checking up and correcting the mailing list.

Now, perhaps, you may think such a loss is merely a matter of a few dollars—a trivial waste—or you may say, mentally, "I pay someone to look after those details among his other duties."

But, if that is your attitude, general opinion ap-

parently is against you. Investigation indicates that wholesalers everywhere are putting forth mighty efforts to put a crimp in overhead expenses of this sort. They have been driven to it by costs that are rising so rapidly from year to year. Just look at the cost figures for office expense on page 97 and those for general expense on page 99 if you want concrete evidence of how important costs for these items really are.

Yes, wholesalers everywhere are wide awake to the danger of profits lost in little leaks and are searching out and adopting effective methods for plugging them. Perhaps as good a way as any to go about describing the best of the methods found in the investigation among wholesalers during the preparation of this volume is to take them up in the following order: (1) making every cent of postage count; (2) cutting office expenses to the bone; (3) cutting corners on the cost of supplies and stationery; (4) holding down filing expenses; (5) making the repair bill less burdensome; (6) handling depreciation unusually carefully.

The two concerns just mentioned are but typical of many which indicate tendencies to fail to take as much care as possible of mailing lists—and which point to losses of a good deal of money. If the two concerns had sent their mailing lists to the post office before they dispatched the catalogs, the “unfound” names could have been marked off. The waste then would have been in cents instead of dollars.

This service of correcting mailing lists is optional with postmasters. But they are often not only willing, but glad, to do the work for the sake of not having a lot of undeliverable mail matter sent to them. Often arrangements can be made to pay for the time involved in making corrections.

Lack of acquaintance with postal regulations may cause waste and delay. Again, careless addressing is

HOLDING DOWN GENERAL EXPENSES

OFFICE EXPENSES

(Stationery, Postage, Printing, and Supplies)

Among the many small items of expense which mean but little when taken by themselves but which in the aggregate mean a big drain on the business in the course of a year are the costs for stationery, postage, printing, supplies, interest, depreciation, and repairs. For purposes of classification it was found convenient to consider the items of stationery, postage, printing, and supplies, together, under the heading "Office Expenses." The costs for these items among houses having annual sales of more than \$1,000,000 was found to range from an indicated figure of 0.8% of sales in the case of hardware wholesalers to an indicated figure of 0.3%, which was found to be the average amount spent for these items by grocery, clothing, and drug houses. This was in spite of the fact that many broken orders normally make groceries and drugs expensive to handle in the warehouse and shipping room. The figures indicate this does not necessarily increase office expense. Indicated attainable cost figures for this item in grocery concerns is apparently 0.1% less than the indicated average cost in each class. Some of the hardware and shoe concerns which watch the small items of expense closest seem to have been able to reach an attainable figure approximately 0.2% lower than the indicated average for all concerns.

(Firms with Annual Sales of More than \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.3%	0.2%
Clothing.....	0.3%	0.2%
Hardware.....	0.8%	0.6%
Shoes.....	0.5%	0.3%
Drugs.....	0.3%	0.2%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.3%	0.3%
Clothing.....	0.5%	0.4%
Hardware.....	0.7%	0.6%
Electrical Goods.....	0.5%	0.7%
Dry Goods.....	0.3%	0.2%

(Firms with Annual Sales of Less than \$500,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.2%	0.1%
Hardware.....	0.6%	0.5%
Electrical Goods.....	0.9%	0.5%

a common cause of postage losses. Placing the wrong city address beneath the correct street address, or the reverse, is a frequent error. Whenever such matter has a return postage guaranty upon it, the postmaster notifies the sender, and the latter may send postage to cover the return.

ONE BAD GUESS IN TEN COST THIS FIRM A LARGE SUM
ANNUALLY FOR POSTAGE

Another typical cause of postage waste was uncovered by a Minnesota concern. This concern finished up its year's business with a falling off in profits sufficiently large to cause an investigation. Small wastes were ferreted out.

"I can tell by the feel of a piece of mail how much postage it requires," the mail order clerk boasted to an executive who was on the lookout for losses.

And so he could.

A trial proved him a good guesser nine times out of ten! The tenth times, however, cost the firm a good many dollars each year in wasted postage, not to mention the unpropitious mood into which a "postage due" letter might throw recipients.

"Considering postage waste," said a busy wholesaler recently, "my morning's mail had two common examples. One letter, coming first class, had 4 cents postage on it. The clerk, ignorant of an important postal regulation, was probably in doubt, and put an extra stamp on for safety, when the letter should have gone for 3 cents. In another instance there was a loss of an equal amount. A clerk as lax as the first one placed an additional stamp on a letter forwarded to me."

Ignorance caused one loss and carelessness the other. The total loss which such employees might make in a year if not properly supervised is certainly worth considering.

HOLDING DOWN GENERAL EXPENSES

GENERAL EXPENSE

(Interest on Owned and Borrowed Capital, Depreciation, and Repairs)

Costs for interest, depreciation, and repairs are considered as a unit under this heading of "General Expense." The cost figures for these items indicate that in both the typical and attainable figures hardware concerns again have the heaviest costs. In the large concerns the indicated typical cost is 3.7% of sales. The indicated average for concerns doing a business of \$500,000 to \$1,000,000 is 2.5%, while among the smaller concerns this item of expense rises to an indicated figure of 4%. These figures indicate apparently that the small hardware houses operate on a large amount of borrowed capital. Small electrical goods houses and the large shoe and drug houses also are indicated to have heavy items of general expense—in each case the figures running well over 2%. To prevent these small items from eating too deeply into the profits, wholesalers are paying more attention to classifying their goods, are installing cost systems which will indicate at a glance how much has been spent on these incidentals, and are giving more attention to methods which will reduce selling expense.

(Firms with Annual Sales of More than \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	1.6%	1.3%
Clothing.....	1.4%	2.0%
Hardware.....	3.7%	2.9%
Shoes.....	2.7%	2.6%
Drugs.....	2.2%	2.2%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	1.6%	1.0%
Clothing.....	1.1%	1.4%
Hardware.....	2.5%	3.9%
Electrical Goods.....	0.8%	2.0%
Dry Goods.....	1.6%	1.6%

(Firms with Annual Sales of Less than \$500,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	1.4%	1.1%
Hardware.....	4.0%	2.7%
Electrical Goods.....	2.9%	1.4%

Thoughtlessness on the part of employees in using an occasional stamp for personal mail will soon total up to dollars, if such a practice is permitted. "For handling stamps in our office," says the manager of a wholesale firm which has settled this very problem, "we have a simple and effective method. In our mailing room a thoroughly competent clerk is in charge of stamping and mailing. He keeps the stamp box locked. All members of the office force who want stamps sign a requisition approved by the service manager.

"When the mail is being sent out, the stamp box is placed open on the table and all the boys doing the stamping help themselves. When the letters are stamped they are counted and checked up with the number of stamps remaining in the box. The balance of 'stamps on hand' and 'stamps used' is seldom out more than a few cents."

Let's go on to the second of the six divisions—cutting office expenses, both in time and in actual cash, to the bone. "We formerly had difficulty in getting incoming mail sent promptly to the man who should see it," an eastern wholesaler says. "Unless a letter obviously was intended for a certain man or department, it might wander around half a day before it reached the right desk. Sometimes this inconvenienced us seriously and caused considerable loss.

"Much of our trouble has been eliminated by the use of small gummed stickers, two inches long by an inch and a quarter wide. These stickers are perforated half an inch from the top. The part above the perforation is gummed fast to each outgoing letter. A notice in this part of the sticker reads as follows: 'If you use the attached, your reply will take a short cut to the right man!'

"The attached, or lower part of the sticker, hangs free. It is to be torn off by the correspondent and

gummed to his reply. It reads thus: 'Shoot this letter right to me.' Below is the facsimile signature of the man who signs the letter."

"The plan is sufficiently novel to catch the attention of correspondents, and they use the stickers freely. We have much less trouble than formerly with important replies going astray."

THIS LITTLE PLAN SAVES TIME AND CUSTOMERS
APPRECIATE THE SERVICE IT AFFORDS

In order to give his customers the advantage of the lowest shipping rate to be had and save time at the same stroke, a middle western wholesaler uses a sheet, a portion of which is illustrated in Figure 40. This sheet contains a comparative schedule of the freight, express and parcel post rates to all principal shipping points throughout the country. A glance at this sheet shows the traffic men how any particular order can best be shipped to save money for the customer. This interest in their behalf is appreciated by customers and valuable time of the traffic men is saved. Similar schedules can easily be made out to cover goods leaving any shipping point.

Unnecessary telephoning may cost quite a bit of money. To prevent loss from this source, one wholesaler hangs on all the house telephones the card: "Each outgoing call costs 2 cents." It is just a reminder, and offends none of the employees, and, of course, it is little savings like this that help cut costs and swell profits.

Stenographic work has been improved, costs lowered, and the output increased, in the office of one wholesaler, by a very simple plan. Instead of placing her own and the dictator's initials in the lower left corner of each letter, according to the usual custom, the stenographer writes a number that is so recorded that it gives all the necessary information. Thus, the

FROM CINCINNATI, OHIO TO	DESTINATION IN MILES	FREIGHT RATE 1ST CLASS 100 POUNDS	OLD EXPRESS RATES 100 POUNDS	NEW EXPRESS RATES 100 POUNDS	20 POUNDS ON OLD RATES	20 POUNDS ON NEW RATES	20 POUNDS PARCEL POST
PHILADELPHIA, PA.	909	.83	1.75	2.00	.75	.90	.83
NEW YORK, N. Y.	751	.80	2.00	2.15	.80	.90	.83
BOSTON, MASS.	915	.72	2.00	2.45	.80	.85	1.22
NEW ORLEANS, LA.	829	.90	2.00	3.15	1.10	.70	1.22
SAN FRANCISCO, CAL.	2912	3.50	12.50	9.50	2.75	2.00	2.40
SAN ANTONIO, TEX.	1201	1.07	9.85	4.70	1.80	1.10	1.81
KANSAS CITY, MO.	910	.90	3.50	2.35	1.10	.83	.83
PITTSBURGH, PA.	311	.41	1.25	1.00	.80	.44	.44
SEATTLE, WASH.	2933	3.50	12.50	9.10	2.75	1.90	2.40
PORTLAND, ORE.	2829	2.80	12.50	8.25	2.75	2.01	2.40
ST. PAUL, MINN.	906	.91	3.50	2.45	1.20	.80	1.22

PARCEL POST RATES COVER NO INSURANCE
 NEW EXPRESS RATES COVER \$50.00 INSURANCE
 ADD 5¢ TO PARCEL POST RATES FOR \$25.00 INSURANCE
 ADD 10¢ TO PARCEL POST RATES FOR \$50.00 INSURANCE

FIGURE 40—With “routing cost cards” like this the traffic men can see at a glance the most inexpensive way to ship. The customer is better served and time and money are saved.

NAME _____										
NUMBER _____										
	Times Late		Lunch Time		Blundered	Cus. Com.	Def. Com.	Passes		
	A. M.	P. M.	Lost	Gained				Number	Time	Amount
JAN.										
FEB.										
MAR.										
APR.										
MAY										
JUNE										
JULY										
AUG.										
SEPT.										
OCT.										
NOV.										
DEC.										
Total										

FIGURE 41—Here’s a card that helps to show how much employees are really worth. An “efficiency record” like this is kept for each employee. The employee’s grade is given on the back.

number on a certain letter might be 21014. This would show that correspondent number 2 dictated the letter, stenographer number 10 transcribed it, and that it was the fourteenth letter she wrote on that day. Each person having correspondence to handle is given a number by which he or she is always known.

"Our employees determine for themselves, by the quality of their work, whether or not they can remain in our employ," says the manager of a western concern. "They also judge themselves for promotions. The methods by which we accomplish these results will doubtless be of interest to all employers, for there is scarcely an executive who is not familiar with the waste caused by constant errors and the lack of proper attention on the part of employees to their tasks.

"We have tried several plans for checking the work of employees, and our present methods are proving unusually helpful. In brief, our plan rates the efficiency of employees, taking into consideration the various points we find it most necessary to emphasize (Figure 41).

"Tardiness is one error we are especially anxious to avoid. At one time we fined our employees 25 cents for each tardiness, but complaints caused us to discontinue these fines. Next we tried deducting a quarter of a day from their full paid vacation for each late mark. The method was fairly satisfactory, and reduced tardiness to a minimum. But because of our desire to give our employees liberal treatment in every possible way, we have since modified this plan, and we now allow 12 tardinesses each year without penalty, provided the total time lost does not exceed one hour. We impress upon our employees that to avoid loss of time at the vacation period, they should aim to be at work promptly every day. We allow them the 12 tardinesses to cover any little delinquencies which they cannot easily explain away.

"Each time the employee is tardy he signs a late slip (Figure 42) and gives his excuse. This method eliminates argument at vacation time. The slip goes to the superintendent for acceptance or non-acceptance, depending upon the excuse.

"The 'lost time' column on the slip is self-explanatory. We allow one hour for lunch. The time starts when the employee leaves his department, with an allowance of three minutes to report to the floor man after punching the clock on his return. Too much "gained" time leads us to conclude that the employee ate lunch hurriedly, and did not spend sufficient time for recreation.

"Besides tardiness, there are, of course, many other kinds of errors. Our employees fill in and sign "blunder slips" (Figure 43) for every mistake. The manager reports daily any complaints that have come to him. The delivery department reports delivery complaints and other departments send notice of any complaints that may have come to them.

EMPLOYEE'S SMALL ERRORS AND LOST TIME MEANT
A BIG YEARLY LOSS HERE

"We also check up our employees on the number of passes or purchasing tickets (Figure 44) issued to them. We note the time spent, and the amount purchased. Some have many passes, spend an unnecessary length of time, and buy little. We caution these employees to be more considerate of the concern's time. This warning usually has the desired effect. Our latest record shows an average of three and one half passes to each person for the month, with an average of 19 minutes spent on each pass to make purchases, which amount, on the average, to \$1.21. The last column on the face of the efficiency record card (Figure 41) is for special notes.

"At the end of each month we total the various

Date 11/17/17

LATE SLIP

No. 43

Name A. C. Farber

Number of Minutes Late 7

Signed A. C. Farber

EXCUSE None

Accepted _____ Supt.

Not Accepted A.F.B. Supt.

FIGURE 42—Whenever an employee is late, he signs and turns in a slip like this.

PURCHASING TICKET

Number 79 Department 3

Left 3.30 Returned 4.10

Clerk	Check	Amount
<u>63</u>	<u>121</u>	<u>1.04</u>

Date 11/20/17

Issued _____

FIGURE 44—If an employee makes a purchase, a ticket like this has to be filled out.

BLUNDER SLIP

Clerk No. 33 Check No. 17643 Date 12/27

You omitted Number of pieces

INSPECTOR'S NUMBER 171

Kindly see that this error does not occur again

N. B.—Errors count against advancement

H. C. CAPWELL CO.

I acknowledge making above error

Read, sign and return to office

Supt. W. B. F.

Employee's Sig. A. W. Herwell

FIGURE 43—Any mistake, no matter of what sort, calls for filling out a slip like this. The employee at fault must sign it, thus acknowledging his error.

FIGURE 45—Cards like this hung on a wall board in one concern make it possible to tell at a glance what salesmen's samples are made and every relative detail.

FIGURE 46—Here's a card that watches file records so they don't stray out of bounds and perhaps become lost. It also indicates when the file must be returned.

record slips and enter the information on this card. It takes less than a minute to make out one complete record.

"This plan has been unusually effective in diminishing errors, and has raised the standard of work for our employees."

Cutting corners on the cost of supplies and stationery—the third of the six divisions—also has come in for attention from many wholesalers who are fighting rising costs by plugging little holes. In certain lines many samples of the season's goods have to be provided. Samples are costly, since they often must be processed on a special basis. A wholesaler found the expense running too high. While this happened to be a shoe wholesaler the general idea is easily adaptable to other lines.

In order to reduce this expense, a plan board system, using cards, was adopted. A sample card is illustrated in Figure 45.

The cards are printed on different colored stocks of cardboard, each color indicating one kind of leather. The placing of the black triangle on the card represents the cut of the shoe. If it is a "bal.," the triangle is stamped in the upper left hand corner of the card. If it is a blucher, the triangle is placed in the center at the top of the card; and if it is a bottom, it is stamped in the upper right hand corner. Oxfords are indicated by a diagonal line across the card.

As samples are completed at the factory, the information called for on the card is filled in. One card is filed at the factory and a duplicate is sent to the president's office to be mounted on the wall board. The department for which the samples are made is shown by stamping the word "agency," "store sales department," or "manufacturing department" on the cards.

This system is fulfilling its mission of reducing orders for samples, by showing the various departments at a

glance those samples which have already been made during the current season. Further, it proves to be a valuable time saver.

Because of insufficient supervision the amount spent for stationery in a Western concern was too high. The manager investigated and evolved a plan for reducing this expense item. His idea was to classify very carefully his various kinds of stationery. In one class he listed all the forms, memoranda blanks and records that were used only within the house. In the other class he listed letterheads, statement blanks and other kinds of stationery which reached customers. On this second class he did not try to effect any economy, believing it most important for customers to get a favorable opinion of the firm through its stationery.

But in the first class of stationery the manager found he could economize severely and with good effect. He made several subclassifications. For instance, he found which kinds of records were filled in on the typewriter, which ones required the use of a pen, and which a pencil.

For the records that were made out on the typewriter the manager gave directions to purchase a medium grade of coated stock; and he ordered "seconds," as he found the amount of poor sheets he had to throw away did not outweigh the first cost economy. For the records to be filled in with a pen a better quality of coated stock was purchased. A cheap grade of uncoated paper is used for all the records that are filled in with a pencil.

The saving that has been effected by these common sense economies has already amounted to several hundred dollars.

Paper has recently been a serious item in the minds of many men who buy, owing to the rising prices. A Cleveland concern has made a worth while saving

by purchasing news "print" paper by the ream for carbon sheets and scratch pads. It is cut and padded by the paper company, and proves considerably less expensive.

INEFFECTIVE USE OF PRINTED FORMS IS A REAL
SOURCE OF WASTE IN MANY FIRMS

"With the wave of economy sweeping over our country in the effort to meet rising costs, wholesalers are looking for 'waste,'" says the head of a western concern. "I shall tell you of a real waste that is being overlooked by all. It is in the purchase and use of the printed form. There are few of us who recognize its full importance.

"In my opinion every concern should delegate to one of its staff jurisdiction over the method of keeping records, the forms to be used, their design, their routing, the manner in which they are filed, and how they will be manufactured, purchased, and issued for use. Although most executives consider printed matter of minor importance, they would soon learn that this man would save many times his salary in the annual cost of the stationery alone.

"To attempt to give a complete description of the manner in which savings can be made on the various classes of printed matter would be impossible in brief space.

"In a general way, however, the user of printed matter needs to watch the following points:

"1. A complete record of the consumption of every form in the group must be kept, and a perpetual inventory plan installed to allow the savings to continue indefinitely.

"2. Complete data must be secured as to the use of the form and the results derived from its service. This will assist in considering possible changes.

"3. The form must be designed, not only to fill

its requirements in use, but also so that it can be handled by the printer economically.

"4. Departments using the form should be told about the manufacturing problems of the printer so that they can lend every aid to the purchasing agent, that he may prepare specifications that will appeal to the printer.

"If the above rules are followed, purchasing agents will be assisted in buying printed forms at lower prices, not because they are paying high prices today for what they are buying, but because they will be able to help the printer save money, and the buyer ultimately profits."

A large concern using 1,000,000 invoices a year had these printed in two colors and pen-ruled, on a piece of paper weighing 24 pounds to the folio. By substituting print ruling for pen ruling, by accepting a standard sized invoice one half inch narrower, and by purchasing a carload of standard weight paper, 20 pounds to the folio, at 20 cents less a pound, it was able to save 90 cents per thousand on these forms; or \$900 a year.

This brings us to the fourth of the six general divisions under discussion—holding down filing expenses. Investigation indicates that here is a good vantage point from which to drive a wedge into the rising cost forces.

One progressive wholesaler tells how he reduced filing costs in the following words: "In our business we keep a buxom group of correspondence files. All communications regarding a specific subject are fastened together and put into a folder. The folder has a number stamped on it and is filed in a cabinet, files being numbered consecutively.

"Recently the filing system was reorganized, as sometimes one department would request a file, write a letter on it, and hold the file until an answer was re-

ceived to the letter. Meanwhile, another department would request the file, and a futile 20 minutes or so would be spent by the filing clerk in the endeavor to locate it. Sometimes half a day was consumed in hunting before the missing file finally turned up. Of course, costs piled up under this system.

"After much experimentation, a system was devised by which any file could be located at a moment's notice. The record sheet shown in Figure 46 is the basis of this system. This is divided into ten spaces, each space being headed by one of the digits. Now, as soon as a file is handed to anyone, the number of the file minus the last figure, together with the initials of the person receiving it, are placed in the column denoted by the last figure of the file number.

"For example, suppose Mr. E. Brown obtains file number 158742. Under the column headed '2' the figures 15874 are placed, and beside them the initials 'EB.' Mr. J. Bills receives file 159630. Under the column headed '0' is placed '15963-JB'; and so on. Each sheet is dated, a fresh sheet being used each day. Then if Mr. Wilson inquires for file 159630, the filing clerk, finding that it is not in the cabinet, turns to the tracing sheet, runs his finger down the column headed '0' and finds that Mr. J. Bills has the file in question.

"In order to prevent files being held too long by various departments, an extension of the system was devised. If Mr. Brown wished to follow up correspondence, he placed on the upper right hand corner of the top letter of the file the date on which he wished the file returned to him."

Here's the effective cost-cutting method used by another concern, described by one of its officials:

"It has been our experience that maps furnish an unequalled means of exhibiting certain kinds of information which are being constantly referred to, such as salesmen's routes, the location of each salesman,

telephone and telegraph lines, shipping routes, and so on.

"In a constantly developing territory, the maintenance of the maps that may be necessary is often an item of considerable expense. In preparing our maps, therefore, we were confronted with the problem of making them show as much information as possible, keeping them posted to indicate the latest conditions and doing this at a minimum cost.

A SIMPLE MAP RACK THAT HELPED TO REDUCE THE
COST OF CHARTING SALES

"A method we used to handle them in large numbers was to mount them on rollers like window shades. We would have a number of these rollers in a box on the wall near the ceiling, the idea being that we would keep the maps free from dust and out of the way when not in use. Our experience has been, however, that these racks are not entirely dustproof.

"Pulling a map up and down also has a tendency to wrinkle it. After a year or two it would crack and tear, and we would lose the information or find it less useful. We would then have to make up a new map and laboriously to transfer all the data from the old one at considerable expense for labor.

"In casting about for a more permanent arrangement, we hit upon what we call the 'silent salesman' device. This is a rack with leaves so mounted on a vertical axis that they can be swung about like revolving doors. Racks based on this principle are commonly used for exhibiting different articles on sale in stores, such as souvenir postcards or rugs and carpets. We decided that by pasting maps on the leaves, they would have a solid backing that would preserve them indefinitely. We found several firms that would make up racks for us.

"When we got down to the details we found that

only a comparatively small part of any territory could be seen at one glance, unless the leaves were very large. To see any amount of territory, we would have to turn the leaves and then we could not compare them with those we had just been looking at. To make the leaves larger, however, would mean that more floor space would have to be kept clear for swinging them, and reserved for that purpose. This was out of the question.

"We then conceived the idea of having the maps mounted on fiber wall board of a convenient size and arranged to slide in grooves or tracks along the wall. In order that any one of the mounted maps might be placed end to end with any other, we needed a track for each map. As there were to be 20 maps, each measuring 36 by 47 inches, we feared that the tracks would extend too far from the wall. But we had them made of metal, and required only 13 inches.

"At the end of the track we built a housing for the maps. This was constructed of sheet metal, with a door at the far end so the maps could be slid out for changes. The maps were mounted on the board and coated first with shellac and then with a good quality of varnish.

"To prevent warping, we had a sheet of paper pasted on the back of each mount, and this, too, was covered with shellac and varnish. The edges were bound with nickel-plated steel. The vertical edge, which was at the open end of the housing when the map was under cover, was made wider than the others, so that it would almost touch the edges of the neighboring maps when in the case and tend to make the housing dustproof. On this edge we had a handle placed for each map.

"Another advantage lies in the fact that the maps can be taken out one at a time and corrected while other people are using the rest of them. With our

old system, the map had to be taken down entirely in order to do a good correcting job. The whole apparatus was out of service in the meantime. Frequently a map would be kept out longer than necessary on account of the inconvenience of replacing it in the rack. We have also found that much neater drafting work can be done on these maps. As a result, a greater amount of information can be placed on them, making a more satisfactory record in every way. It is of interest to note that the whole outfit—housing, tracks, maps, mounting and edges—costs only about \$200, or \$10 per map.

Now we have considered plans and methods used by progressive wholesalers to effect economies under the first four of the six general divisions, and will take up the fifth—making the repair bill less burdensome.

AS A "STITCH IN TIME—" SO MAKING REPAIRS PROMPTLY
SAVES MANY DOLLARS

One wholesaler says that the most important step to take in watching repair bills is to see to it that repairs are made promptly, as "soft spots" rapidly develop into more serious conditions and costs develop with them.

"I learned my lesson many years ago," he declares. "It was during one of the first years I was in business and we were housed in a building that had a shingled roof. One of the men reported that a part of the roof was leaking slightly. I promised to attend to it and then promptly forgot the entire affair. A few nights later a violent wind and rain storm tore off many shingles and several cases of valuable merchandise were ruined. And so I say, get after repairs just as soon as need for them develops. Here, as in many other tasks, the ounce of prevention again is worth tons of cure."

Another wholesaler maintains a repair force of his own. It consists of three men and between them they usually can make 90% of all necessary repairs. These men look after the fireproof fittings of the building and also constitute a "safety first" inspection committee. They recommend safety devices that seem necessary and this wholesaler says he feels sure his plan not only has resulted in lowering repair costs but also has saved many employees from at least minor injuries through the men's recommendation of safety devices. And, as we'll all agree, injuries to employees are likely to result in the reverse of lowered costs.

Still another wholesaler has his building looked over from time to time by a construction expert and the reasonable repairs this man recommends are made promptly. This wholesaler says his repair costs have been cut fully 25% by this plan.

Keeping the proper sort of watch on depreciation, to go on to the last of our six divisions, presents quite a problem to many wholesalers. Buying methods, selling methods, rates of turnover, and many other factors have a bearing on depreciation. In other chapters of this book these subjects are covered in detail.

But, in considering depreciation, there is, among others, one point heretofore not touched upon. That is, the danger of not allowing a proper charge-off for depreciation.

How a closer study of costs and a better system of cost accounting helped one wholesaler to stop a leak from this cause is illustrated by a wholesaler who put his business in the hands of an expert auditor.

This auditor completed an examination into the affairs of the house in question, and placed his report before its head. He had stripped down the book resources until they had struck bed rock, and in the inventory he carried the equipment at \$1. The head of the house,

alarmed at the proposed changes, argued that to subtract so much would impair the credit of the firm at the banks. The auditor, however, persisted that his charges would, in reality, give the establishment new blood and put its activities on a firmer basis.

He recommended that a lot of "slow stock" which had been accumulating on the shelves and in the warehouse should be sacrificed or inventoried at a price much below original cost. Goods in process were treated in the same way. An accumulation of \$16,500 in bad debts was summarily charged off the books. The depreciation item alone was nearly one quarter of the valuation made by the wholesaler.

When these readjustments were made, the book resources of the house had been reduced about \$70,000. The banks and supply houses doing business with the concern had no fault to find, however, since the wholesaler had voluntarily reduced the credits he needed by purchasing on a schedule intended for immediate needs only. His office and selling organizations were compelled to prove their costs, and this resulted in many little economies in time, buying, materials, shipping and storage.

In cutting down on minor expenses with methods like those described, investigation indicates that the wholesaler is using one of his most effective weapons against rising costs. Small expenditures, such as those for stationery and repairs, do not seem great when compared with the total sales, but the experience of many shows that it is these minor items of expense that often help to reduce the constantly narrowing profit margin.

CHAPTER IX

CUTTING DOWN ON WASTED LABOR

GOODS could be sold at 3% less than average list prices and the percentage of profits could be increased if billing, credit work, and other bookkeeping on orders could be eliminated." This is the emphatic statement of the manager of one wholesale house. Office expenses in this concern form an overhead charge that is practically the same for a \$5 order as for a \$5,000 one. (On page 119 you will find detailed costs from a number of lines for administrative salaries and wages.)

Records show that customers of this house are buying in smaller and smaller quantities until the problem of reducing the overhead on less than \$5 lots has become serious. Constant hammering and study brought reduced expenses in many operations, but each order has to be examined for credit, billed, and recorded in the books.

Added to this tendency on the part of the customer to buy more often and in smaller quantities is the increased expense of labor and supplies. These are burdens both the small and the large wholesaler apparently have to bear about equally in proportion to their volume of sales. In smaller houses perhaps only half a dozen persons handle the order, while in a large house doing business on a national scale it may be handled by 50 or 75 persons before it finally reaches the files.

Investigation points convincingly to one fundamental means for meeting rising labor costs—the cut-

ting down of wasted effort. Whatever the methods taken to lower labor costs they all are based on this one fundamental. When wasted motion increases, when men are walking and not working, then the business is on the decline that may lead to a bankruptcy court.

One wholesaler saw that he might cut expenses by eliminating wasted time. The order pickers had been in the habit of going all over the house collecting the articles called for in the orders.

He issued orders to the effect that each "picker" was to remain at the desk, and merely direct. Those he was to direct were two office boys turned into assistants.

The boys gather the articles as the head "picker" calls them out. The goods are checked by him as they return with them.

This eliminates \$6 a week work from the duties of a \$15 man.

It was estimated that a floor picker walks a mile an hour in performing his duty; some eight or nine miles a day; about 3,000 miles a year. It counts up when you stop to consider that this man was being paid at the rate of \$15 a week to walk.

"Cut the cost of putting orders through the office or we will have to raise the price of our goods and that will mean a loss of business," said the president of a wholesale house to his sales and office managers. A study of existing methods leads to the conviction that more persons than necessary were handling the orders. The sales manager applied the pruning hook.

In fact, the work of cutting down costs in this branch of the business now begins with the salesman writing his order in some country store. The salesman does not carry an order book, but has an order pad of forms (Figure 47), about 9½ by 12 inches in size. Unlike most salesmen, the men work-

ADMINISTRATIVE SALARIES AND WAGES

Administrative salaries and wage expenses are higher apparently among wholesale hardware dealers of all classes than among other wholesale dealers. Cost figures for wholesale electrical firms having annual sales of more than \$1,000,000 are not included here, as the costs in the few big syndicate firms might not give a true indication of general costs in this line. Careful examination of the detailed figures indicates the item of wages varies more than the item of administrative salaries. Handling hardware, especially engines and machinery, perhaps requires a higher degree of skill than handling groceries or shoes, where the work is largely mechanical. Because of the technical nature of the product handled the wage item also usually is a heavy factor in the cost of doing business among electrical firms.

(Firms with Annual Sales of More than \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	3.0%	2.8%
Clothing.....	4.0%	3.8%
Hardware.....	7.9%	7.5%
Shoes.....	3.2%	2.4%
Drugs.....	3.8%	3.0%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	2.2%	2.3%
Clothing.....	3.5%	2.6%
Hardware.....	6.2%	5.0%
Electrical Goods.....	5.9%	5.6%
Dry Goods	1.7%	1.5%

(Firm with Annual Sales of Less than \$500,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	2.0%	2.0%
Hardware.....	5.3%	4.7%
Electrical Goods.....	4.9%	4.9%

ing for this house do not have to copy their orders at night. And the order is never copied in the office. The original form just as it is dictated to the salesman in the country store is the one to go through the office routine and to find its way into the files.

To simplify farther the handling of the order, there is a space at the top of the salesman's blank for an estimate of the amount of the order in dollars. This is for the convenience of the credit man, who is thus able to tell instantly how much is involved. There are also spaces for the order number and for the salesman's name and number. As the order goes through the house it is referred to by these numbers.

For handling mail orders the company has a form which it sends out to regular customers, similar to the salesman's blank, but printed on a distinguishing colored paper. This house issues a catalog and in the back of the catalog is another order blank with the same rulings, with the exception of the spaces for the salesman's name and number. This blank is somewhat smaller, however, to correspond to the size of the catalog page.

These mail and catalog order blanks also go through the house without being copied. The sales manager estimates that having these forms carefully made up so they do not have to be copied saves the company thousands of dollars annually in clerk hire.

HOW A QUICK ORDER ROUTING SYSTEM CUT COSTS BY
REDUCING OFFICE HELP

When the order first comes in it is recorded by the name of the customer on a long sheet, each sheet containing spaces for 50 names. Each one of these spaces is numbered and the order is given its proper number to correspond with the number of the sheet.

Now, in this house, as soon as it is registered the order goes to the bookkeeper, who has a file of credit cards, one for each customer, indexed by states, cities, and names. The information on these cards indicates the standing of the customer and for ordinary orders the bookkeeper is allowed to pass on the credit.

If the order is large, or if there is any circumstance that makes the granting of credit doubtful, the order and the credit card are turned over to the credit man for further investigation.

This concern is housed in a seven-story building, which serves as office and warehouse. The office is on the second floor; goods in original packages are kept on the fifth, sixth, and seventh floors; and broken-package goods are on the third and fourth floors. The shipping room is on the first floor. After the order has been approved and checked by the credit department and the territorial manager, it goes to a clerk, who attaches a shipping tag indicating the route over which the goods are to be shipped. Four girls then handle the order, indicating after each item the floor on which the original package may be found. All the items for one floor are then copied off on floor slips like the one shown in Figure 48. The top of the back of these floor slips is carbonized, so the heading of the shipping tag can be written at the same time. Below this is a complete list of the goods to be found on this floor, as shown in Figure 49. The buy-outs and pick-ups are copied off on another sheet for the purchasing department.

Each original order with the shipping tag, the floor slips, and the purchasing department sheet attached, then goes to another clerk, who checks the original order against the forms. So far the order has either been passed from one desk to another or carried by office boys.

Next the original is sent to one of the floors on which broken lots are kept and the floor tags are sent to their respective floors through pneumatic tubes. As they are sent through the tubes they are stamped with a block number. That is, all orders up to 9 o'clock in the morning are marked "1," all orders received between 9 and 10 are marked

FLOOR 9		SECTION WEIGHT	Bundles Pasty Boards
Sales Hose (Cotton, Rubber) (Burlap)			Peaveys
Boxes Axle Grease			Pockets, Stake Wagon
▪ Axle Handles			Pokers (Iron)
▪ Chain Hoists			Potato Planters, Hand
▪ Churn, Hand			Pulleys, Hay
▪ Clothes Pins			Pulley Blocks
▪ Cobblers' Kits			Rat Traps, Wire
Emery Grinders, Machine, K. D.			Roof Saddles
Grain Grinding Mills			Sheaves, Wooden (Pulleys)
▪ Handles, Wood			Sheaves, Iron
▪ Hay Rack Brackets			Singletrees, Agl., Unfinished
▪ Hoops, Iron			Singletrees, Iron, Unfinished
▪ Ice Cream Freezer Cans			Singletrees, Wagon, Unfinished
▪ Iron Castings			Step Ladder Chairs
			Stave Pipe Thimbles, Nested
			Stave Pipe Thimbles, Not Nested
			Tongs (Iron)

FIGURE 49—Here is shown the reverse side of Figure 48. A list of every item is printed on the slip to save the time of the copy clerk in finding out what department the goods go in.

[illegible]

FIGURE 50—One wholesale house provides space on its sales sheets in the upper left hand corner for an analysis of the standing of the customer. This saves time for the credit man.

"2," and so on. This insures their being filled in rotation and prevents an order received at 10 being sent out before the 9 o'clock orders are filled.

The entire series of operations described above takes less than half an hour. How the goods are arranged and how the orders are filled and shipped in the stock and shipping rooms of this and other concerns is described in following chapters.

As soon as the broken package goods have been assembled and packed, the original order is brought back to another office on a moving belt from the packing room and the receipt is written and the order checked. The order, which has been put in stiff covers in the stock room, is then dropped down a chute to the second floor office, where the prices are put on, the back orders checked, a sheet advising the customer the order is being shipped is made out, the prices are examined, the order figured, billed, checked with the bill, the invoice mailed, and the order filed.

ONE SMALL WHOLESALE FINDER FINDS THIS PLAN FOR ORDER
HANDLING PROFITABLE

Although this company handles hundreds of orders every day it is able to ship more than 80% of its orders the day they are received and about 75% of the original orders are in the file the same day. Sometimes the order has to be held for buy-outs, but it is seldom delayed more than one day.

A wholesaler doing business in a 75-mile radius from a town of 40,000 in the Middle West has adopted a similar system in his office, reduced to suit his volume of business.

Many of the orders received by him are made out by the local sales force or are received over the telephone and made out by clerks. Each order is numbered and passed upon by the credit manager. It is then entered on the books and sent to the stock

room for the less than package lots to be assembled. From there it is sent to the warehouse, which is on the opposite side of the street from the main building, and the original package goods are brought together.

The order is returned to the office, checked, priced, billed, and the invoice and receipt made out. This company takes pride in the speed with which it handles orders and the service it is able to render customers. As it does business within 100 miles of a large distributing center, it has to emphasize its service feature to hold trade.

A wholesaler in Chicago handles his orders in a different manner but none the less effectively. An order received from a salesman goes first to the credit department for inspection. Spaces are provided on the sales blank for showing how much the customer owes, how much is due, the limit of credit, and the terms of the sale. This blank is shown in Figure 50.

Next the order goes to the back-order department, where it is checked over to see if any goods previously ordered are to be shipped with it. Recently this has been important, as a scarcity of goods often makes it impossible to fill all of an order the day it is received.

For the same reason it is important for the city buyer to check the order for buy-outs and pick-ups. This buyer has a complete list of the goods on hand in the warehouse and is able to tell at a glance whether every item on the order can be supplied from stock.

Country orders then go to the route file clerk. A rack on a big table before this clerk contains a card for every city and town in the country to which the company ships, and the names of the railroads over which the goods must travel to reach this town. If a customer wants his goods shipped in a special manner this is indicated in the file by a red card. The clerk marks on the order the route the goods are to take.

INVOICE						Reels Charged at Cost and Credited When Returned Prepaid to Factory
ADAMS ELECTRIC COMPANY ELECTRICAL JOBBERS						
Order received Sold to Address Ship to Ship via						No goods should be re- turned without our permis- sion. Get our permission first before returning any goods. In crediting we must deduct at least 10 per cent.
TERMS NET 30 DAYS						
Salesman						
Customer's requisition number of Invoice Number						
QUANTITY BACK ORDERED	QUANTITY ORDERED	DESCRIPTION	CATALOG NUMBER	QUANTITY SHIPPED	PRICE	EXTENSION

FIGURE 53—By means of this invoice form and its duplicates, one wholesaler is able to get his invoices and bills out to customers the same day the goods are shipped.

TO PURCHASERS			
PRICES: All published prices and discounts are subject to market fluctuations and to change without notice. BOXING AND CARTAGE: We make no charge for boxing and cartage except on Fixtures and Glassware. TERMS: 30 days net or discounts for cash as follows, if remittance is received within 10 days from date of invoice:			
Arc Lamps Fan and Power Motors	Net Cash 30 days	Conduits Dry Batteries Non-Metallic Flexible Conduits General Supplies	2% 10 days
Weatherproof Copper Wire <i>Weatherproofed by Adams Electric</i>	4 of 1%	Sockets and Receptacles <i>(Schedule B)</i>	2 1/2%
Magnet Wire Resistance Wires Spark Coils	10 days	Lamp Wire and other accessories <i>(Schedule B)</i>	10 days
Rubber Covered Wires and Cables Lead Covered Wires and Cables Lamp Cord and Heater Cord Rheostats, Dimmers, etc. Battery Zincs	1% 10 days	Rigid Iron Conduit Flexible Steel Conduit Flexible Steel Armored Conductors Steel Conduit Boxes and Covers Sectional Switch Boxes Bushings and Locknuts	5% 10 days
RETURNED GOODS			
Customers wishing to return goods for any reason whatever will please take the matter up with us and get our permission before doing so.			
We, of course, expect to rectify our own mistakes. When the mistake is not ours and permission is given to return goods, it will be with the understanding that goods must be returned in good order, prepaid and that an adequate service charge of not less than 10% will be deducted from the credit.			

FIGURE 54—This notice to purchasers, printed on the back of the form shown in Figure 53, reduces correspondence by calling attention to discount terms and the company's policy.

As in the case of the wholesaler mentioned in the first part of this chapter, different classes of goods are kept on different floors in the warehouse. A floor-marking clerk indicates after each item the number of the floor and the department in the warehouse where the goods are to be found. The order is then given a serial number.

ALL DEPARTMENTS WORKING AT ONCE ON AN ORDER
MEANS QUICKER SHIPMENTS

Copies of the entire order are made by the mimeograph process, enough copies being made to send one to each floor in the warehouse upon which goods for the order are to be found. These slips (Figure 51) are sent to the warehouse every 30 minutes through pneumatic tubes. Any part of the building can be reached in 12 seconds. The containers with the slips go to a central station on the top floor of the building and are transferred there into another tube that takes them to their destination. Under the old method of sending the slips by boys it sometimes took 20 minutes to get from one department to another.

While the goods are being assembled from the floor slips the original order stays in the office and is gone over by the reviewing clerk, who checks it for quantities, qualities, and prices. The bill clerk makes out a skeleton invoice.

As soon as the goods are assembled in each department the floor slips are sent back to the office. These are received by a clerk, who files all the slips for a single order in one place. When they are all back, indicating that all the goods have been assembled and sent to the shipping room, the slips are checked with the original order.

If, for any reason, the stock room was not able to furnish any item, the fact is indicated on the slip by a red cross after the item. This cross is transferred

to the original order, which goes to the back-order department, where these items are taken off on a future shipment memorandum slip (Figure 52) and held for future delivery.

Although the average order is filled and the goods shipped within two hours after it is received, it is sometimes 10 days or two weeks before the original order is filed. After the goods are sent and billed the order goes to the statistical department, where the cost and profits are figured. The advertising department receives the order and checks the quantity of sales of the company's private brands in each territory and compares this record with the advertising in the territory. The order must be checked by the general manager before it can finally be filed.

A Grand Rapids, Michigan, firm gets its invoices out to its customers the same day the goods are shipped by using a carefully worked out set of four forms. The white invoice is ruled as in Figure 53 and carries a list of the company's staple lines on its back (Figure 54). The first carbon, a pink form, is for the shipping room. Figure 55 is an acknowledgment and is used as a packing slip if the order is shipped complete. If the order is not shipped complete the acknowledgment is mailed to the customer with all information as to the disposition of the order. The fourth copy is made on a plain sheet of bright yellow paper punched to fit a looseleaf file.

Copies of the customer's order are made on the white invoice form. The white and yellow copies are filed with the billing clerk and the pink copy is sent to the shipping room. Items shipped are then filled in by the shipping clerk and returned for pricing to the billing clerk. After pricing and extending this pink copy is attached to the white and yellow copies and sent to the billing clerks for completion, according to the pink copy.

White copies go to the customers, yellow copies to the posting file, and the pink copies to the reference file. These are filed separately for each customer.

Numbered stock orders similar to Figure 56 are used in duplicate by the stock men to assemble orders and to make entries on the perpetual inventory.

Thus, by using more forms or less forms, improving stock arrangements, installing speeding-up equipment, and paring the payroll down to a point where it produces the most work for the least expenditure, many wholesalers are partly helping to keep their businesses above the rising tide of costs which threatens to engulf them.

CHAPTER X

WAYS TO SPEED UP THE SHIPPING ROOM

✓ **I**N less than 15 minutes after an order for 18 or 20 ordinary items has been turned in by a city salesman for one wholesale concern the goods are packed and loaded on a truck ready for delivery. Many orders, of course, are made up and placed on the floor of the shipping room in much less time. As many as 600 orders have been put through in one day. This is the record made through a comparatively simple system devised by a former employee of a wholesale house after he and a partner had gone into business for themselves.

It is systems, plans, and methods like this that are helping many wholesalers keep down packing and shipping costs. Investigation indicates, moreover, that these costs are no exception to those covering other items encountered in the wholesale business. All are rising as the cost of labor and packing material steadily mounts. A study of the cost figures on packing and shipping expenses on page 135 will convince every wholesaler that here, also, there is need for caution, for the exercise of sensible economy, and for a close watch lest these items develop leaks which may imperil the seaworthiness of the business ship.

In many concerns it was found that the length of time necessary to handle goods in the broken-package department results in a labor cost altogether out of proportion to the profit returned under present methods of selling. An investigation completed recently by the California Wholesale Grocers' Association shows

that it takes longer and costs more to put up, ready for shipment, \$75,000 worth of goods in miscellaneous broken packages, than to get ready \$425,000 worth of goods in original packages.

A wholesale firm doing an annual gross business of \$500,000 was used as the basis of the investigation. These figures were obtained in a test made through an expert packer, and it is estimated that at least 25% should be added in applying these figures to an ordinary packer.

In the calculations that follow, floor space, empty boxes, light, heat, and so forth, have not been taken into consideration.

Time was taken on a large number of employees, but one man's work only is covered below:

	Total Order		Original Packages	Broken Packages
1st	\$ 12.52	Amount	\$ 11.99	\$.53
		Time	4 Min.	16 Min.
2nd	\$ 10.85	Amount	\$ 5.55	\$ 5.30
		Time	5 Min.	10 Min.
3rd	\$ 36.28	Amount	\$ 32.34	\$ 3.94
		Time	15 Min.	25 Min.
4th	\$232.83	Amount	\$208.71	\$ 24.12
		Time	40 Min.	38 Min.
5th	\$ 19.02	Amount	\$ 18.40	\$.62
		Time	10 Min.	12 Min.
6th	\$119.87	Amount	\$106.17	\$ 13.70
		Time	20 Min.	28 Min.
7th	\$176.82	Amount	\$102.34	\$ 7.48
		Time	25 Min.	30 Min.
8th	\$ 40.65	Amount	\$ 32.47	\$ 7.18
		Time	15 Min.	22 Min.
9th	\$ 31.69	Amount	\$ 30.14	\$ 1.55
		Time	13 Min.	7 Min.
10th	\$ 21.22	Amount	\$ 13.03	\$ 8.19
		Time	3 Min.	20 Min.
11th	\$ 16.24	Amount	\$ 13.84	\$ 2.40
		Time	3 Min.	10 Min.

The table indicates that: \$75.01 in broken packages took 218 minutes to pack ready for shipment, and \$574.98 in original packages took 150 minutes to pack ready for shipment.

Or, in other words, it took 68 minutes longer to put up the \$75 worth in broken packages than the \$575 in the original packages. Thus, figured at 25 cents an hour for this man, it cost 88 cents to prepare the broken packages and 63 cents to prepare the original packages. Or, it cost 63 cents to put up original packages to the amount of \$575, and to put up the same amount in broken packages would cost \$6.75. This is 10 1-5 times more, or an increased cost of \$6.12.

These figures are surely startling and it is but fair to say that the broken-package room in which this investigation was made contained no soap, no sugar except powdered, no canned vegetables, no tobacco, no dried fruits, and very little canned fruits—in short, but a small investment in broken package goods.

On a basis of profit every broken package sold in the above memorandum carried an additional cost of 3 cents a dozen on goods selling at 50 cents up to \$1 a dozen. It can be seen that with practically 10% added to the selling price it did not cover the labor cost alone, to say nothing of figuring boxes, filling, light, heat, and the many other dangers of miscount, breaking of goods in handling, loss in weight, and other items.

HERE ARE THE BEST METHODS FOUND BY WHOLESALERS
FOR REDUCING SHIPPING COSTS

The most successful methods for holding packing and shipping costs down used by the 387 wholesalers reached by the investigation are described in the pages that follow. These methods fall naturally into three general divisions, and it was found that, more often than not, most successful wholesalers had given close attention to all three, which are:

PACKING AND SHIPPING COSTS

From these figures it is apparent that packing and shipping costs run higher in the shoe, electrical, and hardware lines, than in dry goods, groceries, drugs, and clothing establishments. Many shoe wholesalers are also manufacturers, and much of the high shipping cost in this line comes from the necessity of providing boxes for each pair of shoes. Bulky goods, such as in the electrical and hardware lines, naturally create a larger shipping expense. The figures for large wholesale drug concerns indicate a fairly high expense probably due to the great care necessary in handling these goods and to the increasing number of small, mixed orders.

(Firms with Annual Sales of More than \$1,000,000)

Line	*Indicated Typical	Indicated Attainable
	Costs	Costs
Groceries.....	0.5%	0.3%
Clothing.....	0.4%	0.3%
Hardware.....	1. %	0.9%
Shoes.....	1.1%	0.7%
Drugs.....	0.7%	0.5%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical	Indicated Attainable
	Costs	Costs
Groceries.....	0.5%	0.2%
Clothing.....	0.4%	0.3%
Hardware.....	0.7%	0.8%
Electrical Goods.....	1.1%	0.7%
Dry Goods.....	0.4%	0.2%

(Firms with Annual Sales of Less than \$500,000)

Line	Indicated Typical	Indicated Attainable
	Costs	Costs
Groceries.....	0.3%	0.2%
Hardware.....	0.6%	0.5%
Electrical Goods.....	0.9%	0.5%

1. Order forms, tickler forms, or check-up forms—almost every wholesaler has a different name for them. These act as tracers or automatic check-ups

*Typical percentages given in this book are averages of the most carefully compiled cost figures given to the Bureau by dealers in the four classes indicated.

Attainable percentages are averages based on the costs of the most effectively managed and successful concerns picked from the entire group from which the typical percentages were obtained.

on orders, speed them up, and prevent workers and merchandise from "loafing on the job."

2. Departmentalization, concentration, and arrangement of stock designed to give the greatest speed in filling orders with a minimum of effort.

3. Better methods of getting the goods out of the warehouse and on railroad cars or boats or motor trucks, whichever one is the means of transportation for the next stage of the journey.

In taking up the first of these methods—tracing the progress of the order through the warehouse to see that it does not "loaf"—let us go back to the concern mentioned at the start of the chapter.

Two kinds of orders are handled by this concern—one for customers making their own deliveries, and one for delivery by the company. Items are listed in duplicate on forms for the former (Figure 57) or "waiting" order, while quadruplicate forms are provided for the latter (Figure 58). The duplicate of the "waiting" order goes to the customer with the goods. The different prices for the different kinds of orders are given in a booklet which is described in Chapter VII.

A blank sheet is provided in the quadruplicate set of forms. On this sheet are listed the items ordered. A clerk clips these items apart and "shoots" them through pneumatic tubes to the proper floors. Each clipping, of course, carries the number of the order. There they are distributed to departments. The order is made up at once and sent to the shipping room on the main floor by an electrical carrier for light packages and an elevator for bulk goods. Orders for immediate delivery are transported by hand trucks to waiting vehicles. Waiting orders are set apart in sections on the stock room floor, each section being designated by a number which corresponds with the number placed on the packages by the warehouse clerks.

[illegible]

FIGURE 57—A grocery company carries out its three-price schedule to the extent of having different forms for sales under different terms. This red sheet indicates the customer will call.

[illegible]

FIGURE 58—This white form shows that the goods are to be delivered collect. These colored forms correspond to the three prices illustrated in the bulletin in Figure 39.

This company has established three sets of prices—one for cash items delivered by the customer, one for net cash c. o. d., and the third for credit with delivery optional. These prices have been designed as “red,” “white,” and “blue” respectively. Allowances are made for cartage.

For example: The “red” price on a certain kind of cleanser is \$8.75 a gross, the “white” price \$8.90 and the “blue” price \$9.10. “We are not cutting or boosting prices at will,” said the wholesaler, “but we believe in taking care of the expense of keeping the books, required with a credit system, and also the cost of making deliveries. We estimate that it costs us \$1 every time we open a charge account, figuring all items except heat, light, and rent.”

HOW ONE CONCERN USED COLORED FORMS TO HELP
SPEED UP THE HANDLING OF ORDERS

The work of handling these different kinds of orders has been speeded up by the use of colored forms which correspond with the price color. Although the ledger printing is the same on each form, designations are made in gold type as to whether it applies to “waiting” or delivery, cash, credit, or collect sales (Figures 57 and 58). At the head of each original form spaces are provided for marking the amount of the sale and the amount of profit in each department. Thus, if a bill of goods were purchased from Department C, the amount, say \$20, would be placed in the upper C spaces, and the profit, say \$2, directly below it (Figure 59).

Increased speed in handling orders, a reduction in the number of errors and wrong shipments, and a resulting cutting down of shipping costs, were made by a simple order form adopted by a wholesale house located in Salt Lake City. This form is shown in Figure 60. Across one end are spaces for the name of

[illegible]

FIGURE 59—If the form is blue the shipping clerk knows the customer will call for the goods and that he is to receive them on the usual discount terms.

[illegible]

FIGURE 60—After mistakes and losses due to carelessness in handling orders had eaten into the profits this form was devised to insure an absolute check on each employee concerned.

Shipping order - office copy - sales manager's copy - packer's slip must be sent to office	Date sold 11-2		SHIPPING ORDER-SALES SHEET INTER-MOUNTAIN ELECTRIC CO. 43 to 58 E. 4th So. SALT LAKE CITY, UTAH				Invoice No. 12860		
	Rec'd Shipg Dept. Date 11-4 Hour 10:30						Data 11-5 11200 10		
	Assembled by C.D.W.		Buyer A.J. Salesman J.L. Salesman's No. 130		Your Order No. 610		Your Reg. No. 215		
	Checked by C.D.W.		Sold to H.A. Hill & Company		Credit O.K. 5		Proof Read 11-5		
	Packed by H.A.		Address Minneapolis, Minn.						
	B/L Number 1241		Ship to Cash						
			When ship at once Ship via C.M.T. ship						
			Date shipped 11-5 Register No. 2410 Terms 30 days						
							11200 10		
	Shipper's check		Quantity ordered	Give catalog number and complete description of every item	Quantity shipped	Price	Discount	Amount	Salesmen must not use these columns
✓	10 Cases		C18-Snap switches	10 cases	50.00	10%	45.00		A
Do not write below this line									

FIGURE 61—By combining the functions of sales sheet and shipping order in one form, this firm was able to handle its increasing business without extra help.

	Data sold 11-2		PACKING SLIP INTER-MOUNTAIN ELECTRIC CO. 43 to 58 E. 4th So. SALT LAKE CITY, UTAH				REGISTER No. 2410-	
	Rec'd Shipg Dept. Date 11-4 Hour 10:30							
	Assembled by C.D.W.							
	Checked by C.D.W.							
	Packed by H.A.							
	Shipper's check		Quantity ordered	Description of Items	Quantity shipped			
✓	10 Cases		C18-Snap switches	10 cases	via C.T.W.W.			
Goods must not be sold without our consent								

FIGURE 62—A packing slip is made out when each order is copied. This is double checked and shipped with the goods, thus giving the customer a check.

each person who handles the order, with the date and the time of day the order was passed on.

Only the one form is used and when it has gone through the office, stock room, shipping room, and back to the office, it is possible to trace its course exactly and at once to place the blame for any errors or delays.

Recently a western concern found that its shipping and warehouse methods were inadequate for handling the increased volume of business. After much study the company worked out a system of handling orders which has as a basis one main form, called the shipping order (sales sheet), and several related forms for use in the different departments.

This shipping order (sales sheet) (Figure 61) and the packing slip (Figure 62), are sent to the warehouse as soon as properly registered in the office. When all the goods called for have been assembled and checked, the packer puts them in the boxes and nails up the packing slip with them. As soon as the container is closed it is weighed and the kind of container and its gross weight are noted on the form on the reverse side of the shipping order (sales sheet) (Figure 63).

This sheet is then forwarded to the office, where all goods shipped are properly priced and extended, and the customer's invoice and posting records are made. Any items back-ordered are copied from the shipping order (sales sheet) to a back-order form, a copy of which is mailed to the customer with the invoice for the goods shipped. On the back-order form information as to the probable date of shipment of goods back-ordered is noted.

The shipping order (sales sheet) goes to the statistical department, where the goods shipped are costed and classified and the daily report of sales, costs, and gross profit on each class of goods is compiled. These daily reports are then used as a basis for a monthly report.

In addition to the shipping order (sales sheet) there is a form with the same basic rulings known as the "customer's copy," which is shown in Figure 64. It will be noticed that in place of the rulings for packer's checks and credit information in the corners, and the rulings for the profit and loss figures on the right hand side of the shipping order (sales sheet), the customer's copy contains statements of the service the company is prepared to give. The back of this sheet contains a brief statement of the lines carried by the company.

Another form similar to the customer's copy, but bearing the words "office control" at the top, is matched with its corresponding shipping order (sales sheet) and then filed in the customer's order file. For the convenience of the sales manager in following up the salesmen and customers, another copy of the order is made on plain heavy stock, bearing only the words "sales manager's copy" at the top. The salesman is provided with a similar form. All these forms are punched uniformly for filing in looseleaf systems.

HOW KEEPING TRACK OF TRANSFERS OF STOCK KEEPS
THE COST CHARGE IN THE RIGHT PLACE

The second of the three general divisions of methods—arrangement of stock that makes for effective shipping at lowered costs—has been the subject of careful study by many dealers, who have devised plans with which to accomplish the result desired that are mighty factors in putting the big balance on the right side of the ledger.

One house on the Pacific Coast has worked out a successful method of arranging the stock by departments which speeds up the handling of orders and provides a basis for the classification of costs. The business is divided into five subdivisions, as follows:

1. Drug department, in which drugs, chemicals pharmaceuticals, and patent medicines are handled.

PACKER'S WEIGHT AND COUNT OF CONTAINERS	
BUNDLES _____	WEIGHT _____
PIECES _____	WEIGHT _____
BOXES _____	WEIGHT _____
CRATES _____	WEIGHT _____
BARRELS _____	WEIGHT _____
BAGS _____	WEIGHT _____
BALES _____	WEIGHT _____
PACKAGES _____	WEIGHT _____
POSTAGE _____	INSURANCE _____
INSURED BY _____	

FIGURE 63—On the back of each original shipping order-sales sheet is a form for the packer to check the number of packages making up the order and the weight of each.

<p>DATE SOLD</p> <p>NOTE As all prices are subject to change without notice, it is hereby agreed that the prices and terms quoted by salesman are subject to approval by the company at its office in Salt Lake.</p>	<p>CUSTOMER'S COPY INTER-MOUNTAIN ELECTRIC COMPANY 43 TO 50 E. 4TH ST. SALT LAKE CITY, UTAH</p>	<p>YOUR ORDER NUMBER _____</p> <p>YOUR REQUISITION NUMBER _____</p>	<p>NOTE IF WE ARE UNABLE TO MAKE PROMPT SHIPMENT OF ANY PORTION OF THIS ORDER YOU WILL BE NOTIFIED IMMEDIATELY.</p>
<p>BUYER _____ SALESMAN _____ SALESMAN'S NO. _____</p> <p>SOLD TO ADDRESS _____</p> <p>SHIP TO ADDRESS _____</p> <p>WHEN SHIP _____ SHIP VIA _____ TERMS _____</p> <p style="text-align: center;">REGISTERED NO. _____</p>	<p>QUANTITY ORDERED</p>		
<p style="text-align: center;">SERVICE</p> <p>We want to give you a standard of service that will earn your patronage.</p> <p>An attractive price may induce you to give us an order. But our service will either lose or retain your good will.</p> <p>You can assist us in rendering you a satisfactory service. We mention below a few ways:</p> <p>—in writing to us cover only one subject in each letter. Do not make a claim, and ask for a variation in the same letter. Because these two subjects have to be answered by different departments and your letter can be in fact one document at a time, therefore a delay in answering one of the subjects is inevitable.</p> <p>—Give special instructions on order whenever you have them. Otherwise write a letter. Be sure to give letter to order to avoid a repetition. If required, your order would, in all probability, be shipped before letter of instructions reached us, the result of which would be your dissatisfaction.</p> <p style="text-align: center;">GOODS MUST NOT BE RETURNED WITHOUT OUR CONSENT.</p>			

FIGURE 64—One carbon of the order is made on this "customer's copy" form and is mailed as an invoice when the goods are shipped. A duplicate is filed in the shipping department.

BLUMAUER FRANK DRUG CO.			
DEPARTMENT REGISTRATION FOR TRANSFER OF MERCHANDISE			
From <u>Rubber Goods.</u>		Department to <u>SUNDRIES 3</u>	
		Date <u>8/14</u> 19 <u>17</u> .	
QUANTITY	ARTICLE	PRICE	COST
<u>3 doz</u>	<u>Bathing caps</u>	<u>.15</u>	
<u>50</u>	<u>Hot water bottles</u>	<u>.75</u>	
<u>25 Pn.</u>	<u>Rubber gloves</u>	<u>.50</u>	
		Total	
Filed by <u>M. M. C.</u>		Issued by <u>L. K. A.</u>	

FIGURE 65—In order that each department may bear its share of shipping and overhead charges this blank is used.

[illegible]

2. Sundry department, containing sundries of all kinds and proprietary toilet articles.

3. Soda fountain department, including soda fountain supplies and store fixtures.

4. Cigar department.

5. Manufacturing department.

Each of the departments is charged with its individual direct expense and the overhead or indirect expense is prorated, partially on the basis of sales, partially on the basis of floor space, and partially on the basis of stock carried. These overhead expenses include shipping and warehouse charges, delivery charges, and such overhead expenses as rent, insurance, taxes, heat and light, and officers' salaries.

Transfer of goods from one department to another is made through department transfers similar to the one shown in Figure 65. A supply of these forms is kept by each department manager, and they serve to keep a close check on movements of stock. Overhead charges may be apportioned more correctly because each department can be charged according to the amount of stock on hand and to the total volume of sales.

Close records of all shipments and of all incoming freight also are kept by means of the forms shown in Figures 66 and 67. Provision is made on these forms for a classification of each purchase and shipments from each department are carefully listed.

We have now covered two of the three general divisions of methods enumerated and will go on to the third—getting the goods out of the warehouse and on to their next means of transportation in the quickest and most effective way.

Chief among the plans which have been adopted to expedite the movement of goods from the warehouse to the cars is the "less than carload lots" trap service used in several large and small cities. The trap car eliminates cartage because the wholesaler is enabled to load

goods on his switch track and the car is then taken over the connecting lines to the outgoing freight station.

Throughout the central manufacturing district in Chicago the minimum trap car load is 6,000 pounds. In other parts of the city it is 10,000 pounds. This system has proved its value by the quicker dispatch of commodities, which gave lower costs because of the elimination of drayage.

Up to a short time ago one wholesale house was able to ship four fifths of its orders on the day they were received and to bill three fifths of them.

Good docking facilities, as well as a siding running through the warehouse, gives this company every advantage in speeding up shipments. Running through each aisle in the shipping room is a track set into the concrete floor. Loaded trucks brought down from the different departments on elevators are run on to these tracks and the goods are taken to the section where the order is being assembled. As soon as all the items are together and the order is checked the entire shipment is placed on a truck.

When several of these trucks are loaded, an electric car, operated on the principle of the electric automobile, gathers up a train load of the trucks and hauls them to the railroad siding or pushes them onto the boats. Goods leaving this warehouse as late as 4 in the afternoon are sure to go out of the city that night.

Now, perhaps you may think some of these tested methods don't seem practical for your business. Some of them may sound too much "big city." Or some may seem designed for a smaller business than yours. But out of them, by adapting and fitting to your own particular problems, you probably can get the same cost-cutting and business-getting results secured by the successful wholesalers who already use them to beat down ever rising costs that cut greedily into profits.

CHAPTER XI

SAVING MONEY IN HANDLING STOCK

AFTER only two weeks' experience in the office of a wholesale concern a boy walked into the stock room and picked up more than twice as many orders in a day as the best stock room men in the company's employ ever had done. These men had been with the company for years and knew every item in the stock. The boy hardly knew a switch from a generator and yet he picked more orders and made fewer mistakes than the older employees. His remarkable record is explained by the fact that he had spent his two weeks in studying the stock classification system the company had just installed. The other stock men were depending on their memory and had not studied the new system.

While, of course, the labor cost on handling stock is included in the cost figures given in Chapter X (page 135), it was found that the many methods used in this work deserved more space than could be allotted without providing a separate chapter.

Going back to the company just mentioned, it carries about 10,000 items in stock constantly. The pressure of continually rising costs forced a closer inspection of stock room methods. Checking the filled order against the original and against the office price list revealed losses from carelessness amounting to \$150 in one week and \$120 in another. Determined to put an end to such a bad record, the auditor devised a plan which has not only prevented losses and wrong pricing, but which serves as a perpetual inventory of every item.

An order coming into the office is checked for credit and copied with duplicates for the stock room and shipping room. In this concern the stock room man checks the order for buy-outs and pick-ups. All the items of the order are brought to an assembling bench by boys.

Each aisle in the stock room where the broken packages are kept is lettered, and each bin in the aisle is numbered. At the end of each aisle is a directory showing what is in each bin in the aisle. Each item of stock has a number. A large card bearing a distinguishing letter hangs from the ceiling over each aisle. One complete directory of all the stock is kept in the stock room and another in the office for use in pricing the goods.

In each bin in the stock room there is a stock card, which identifies and keeps a perpetual inventory of the stock in that bin. This is shown in Figure 68. On this card are shown the number of pieces received, the date, the number taken out from time to time, and the number left in stock. By looking at the card the pick-up man can tell at once whether the item is in stock. He does not have to stop to check the stock in the bin.

This card also bears the sales price and a figure indicating the allowed discount. All orders are priced out from the prices on these stock cards. How these prices are checked will be described presently. If the bin is crowded and some of the stock has been moved to another bin, this fact is noted on a bright red card hung on the side of the bin, where it will be sure to attract attention.

In handling incoming stock the form shown in Figure 69 is used. This yellow form shows the kind and quantity of goods, the number of packages, and the condition in which they were received. The invoice is attached to the form and the whole filed as a part of the permanent record. A cost card carrying a record

of all purchases for each item, shown in Figure 70 helps in keeping a perpetual inventory. In the upper right hand corner is the place for the stock number. Each of the 10,000 or more items has its own number. For incoming goods returned from customers a form similar to Figure 69 and printed on pink stock is used. Two other forms are used as memorandum cards of incoming parcel post and freight shipments.

A PERPETUAL INVENTORY SAVES TIME AND MONEY
IN THIS STOCK DEPARTMENT

When one item on an order happens to be lacking, the man assembling the goods looks on the directory card at the end of the bin to see if any other article can be substituted. He can easily tell this, for items of a like nature are grouped together on the sheet and any item can be substituted for another item in the same group.

When the order is collected and packed the bill is made out in triplicate and each item is checked off. The company keeps the original, a blue form. The first carbon, a pink form, and the second carbon, a yellow form, go with the order. The customer keeps the pink form and signs the yellow one and sends it back. This acts as a receipt and saves all the labor and expense of sending out a separate receipt to be signed.

Careful check is kept on both the quantity and price of the articles shipped. The cost clerk rechecks all order tickets (Figure 71) after they have been filled and priced out against the stock card, noting any errors in quantity or description or pricing, at the same time recording on the ticket the list price and symbol discount. From this data the cost is figured on the ticket of outgoing stock.

In this way mistakes almost invariably are caught before the goods reach the customers. In one case soon after the new system was established it was found that several thousand pieces of an article which should

have been priced at 47 cents had been sent out, under the old system, priced at 21 cents. The discovery of this one error stopped a leak which was losing more money for the company every month than the entire new system cost. A record of each order is now kept in the office when it is sent to the stock room, and if the stock slip does not come back in a day or two, it is looked up, thus preventing any delay from lost orders.

Only broken-package goods are kept in the stock room. On the upper floors of the building where the original packages are stored a similar plan is used to keep track of stock. All packages of a similar kind of stock are kept in one definite place. The floors are divided into departments and the aisles in each department are numbered. A card much like the bin card in the stock room is placed on top of each pile of goods.

When the warehouse man removes or adds any goods he notes the amounts on a card. This gives a perpetual inventory of the original packages. A chart of each floor is kept in the office, so the proper location of each item can be marked on the card before it is sent out to the warehouse.

In speaking of the new system, an official of this company enumerated the following advantages:

1. It allows a correction of errors on tickets before the customer's bill is mailed, and thus avoids issuing corrected bills.
2. Positive identification and proof of the proper articles being shipped are assured.
3. A comparative check on resale prices as shown on the stock card, correcting errors and preventing their repetition, is obtained.
4. A comparative check is possible on purchase prices as shown on the stock card, permitting a correction of errors in prices and quantities ordered.
5. A daily visual inspection of all stocks from

which shipments were made the previous day can be made by the cost clerk.

6. More exact cost values can be obtained with less expenditure of time.

This company uses no mechanical aids in handling its goods in the stock room and the warehouse. In one wholesaler's warehouse, however, it has been found advisable to employ mechanical aid in getting the orders through quickly, owing to the bulky nature of the commodities. Moving belts, escalators, and electric tram cars form part of the equipment in this warehouse.

THIS PLAN HELPS STOCK PICKERS GATHER ORDERS FROM
ALL DEPARTMENTS AT THE SAME TIME

When an order reaches the stock floor it is fastened between heavy pasteboard covers by a spring clip riveted to one cover. These covers protect the order and facilitate handling. The stock man places the order on a truck and goes to the different departments, picking up the goods indicated. Each item on the order which is to be found on that floor is marked with the floor number.

Before the goods are assembled, however, the order is marked "ship today" or "ship later," according to whether or not it has to be held for buy-outs and pick-ups. The box label for the packer is made out and the section of the shipping floor to which the goods are to be sent is indicated. This is necessary, for the original packages forming the other items of the order are being collected at the same time and will be sent to the same shipping section so that the complete order may go out at one time.

As soon as the broken-package goods are assembled on the truck they are wheeled into the packing room. Here the items for each order are placed on a separate packing table. The packer is equipped with boxes of different sizes and with other packing materials.

When the box is packed and labeled it is placed on an endless chain carrier and sent into another room, where it is weighed before being sent to the shipping room.

The original order in its covers is sent to the weigher with the box. The weigher puts the order on another moving belt, which carries it into an office where the customer's receipt is written.

Tying up the loose ends in stock handling, then, has resulted in stopping serious profit leaks for many wholesalers. And of what use are crack sales forces, splendid buildings and unlimited good will, if, with costs ever climbing, the profits dwindle away through internal wastes?



CHAPTER XII

HOW BETTER BUILDINGS LOWER COSTS

NOBODY has a quarrel with the statement that \$500 worth of prevention is cheaper than \$5,000 worth of cure. Probably every wholesaler would agree with it. But investigation disclosed a surprising number of cases in which thousands of dollars were spent to provide for additional building features that would have cost only hundreds of dollars if included when the buildings were first constructed. And, in most of these cases, the cost figures on the building charges did not always include the cost of interference with operations and losses and damage to materials.

Figures obtained (see page 157) which show the amounts spent in various lines of wholesaling for rent, indicate the value of getting the building right at first. Practically all of these items can be cut down materially by a careful selection of building materials and designs or by taking precautions in buildings already erected; of course it is assumed that the mistake of reducing it almost to zero by not charging into the cost of doing business an amount which would represent a fair rental for a building owned is admitted. It seems obvious that the cost of doing business should include a fair "rental" charge even if the building is owned and not rented, but investigation revealed many wholesalers who say, "Oh, we pay no rent—we own our building." They must then have used counterfeit money in building and buying land, for they assume it is not worth even interest!

But how shall the wholesaler go about it to protect

himself from attacks of rising costs through the "building salient"?"

Investigation indicates that three courses of action are open to the wholesaler who finds that his growing business demands more space, but who realizes that every dollar spent in this era of abnormal rises in costs must show value received!

1. He may erect a new and more commodious building on a new site.

2. He may remodel his old plant and thus provide a more effective space arrangement.

3. Without remodeling he may take steps in his old building to cut down space wastage, thus allowing for expansion.

Perhaps as good a way as any to summarize the details successful wholesalers look for and look out for in planning new buildings is to give one wholesaler's description of what a wrong type of building may mean.

He says: "A wrong building may mean a building where it takes four or five men to handle a truck into or out of a freight car; where the length of the building must be traversed with a truckload of goods for an upper story because of the improper location of the elevators. It may mean the limiting of floor space and loads because the building is not strong enough. It may mean the inability to add to the building or to increase departments which are growing. It also may mean difficult supervision and unsatisfactory cost adjustments."

Just what foresight will do is illustrated in the following incident. A Chicago wholesaler instructed his engineer to design a building to carry a load of 500 pounds a square foot for the storage of certain foodstuffs. The cost of such a building would be more than double the cost of an ordinary warehouse. An investigation of the foodstuffs, which included a careful weighing of the material and the calculation of the

WHAT RENT COSTS

Clothing wholesalers and wholesale druggists are indicated by these figures to pay the highest amounts for rent. This condition exists apparently because these businesses usually are located in the center of an expensive business district and because the type of goods carried demands the best possible fire protection. Many clothing wholesalers also are manufacturers and, of course, require more room for their business than wholesaling alone would demand.

(Firms with Annual Sales of More than \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.4%	0.4%
Clothing.....	1.2%	0.8%
Hardware.....	1.0%	0.8%
Shoes.....	0.6%	0.4%
Drugs.....	2.0%	1.5%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.6%	0.5%
Clothing.....	1.4%	0.9%
Hardware.....	1.2%	1.0%
Electrical Goods.....	0.9%	0.7%
Dry Goods.....	1.0%	0.8%

(Firms with Annual Sales of Less than \$500,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.5%	0.4%
Hardware.....	1.2%	1.5%
Electrical Goods.....	1.0%	1.0%

heights to which it could be piled, revealed the fact that 250 pounds per square foot was ample for this product. The building, therefore, was designed with a saving of one half over what it might have cost. This meant, indirectly, a big increase in profits.

Getting the building right is a problem of a thousand factors. Providing a building which will be the master tool, so to speak, means picking out the most profitable site, deciding what type of building is best and what

amount to spend for it, planning the construction, erecting the building, choosing the right kind of windows and walls and partitions and floors and roofs and skylights, installing fittings which will assure satisfactory heating and ventilation and lighting and sanitation and fire protection, and keeping the building clean and in order when completed.

The problem of a modern plant development, wholesalers agree, normally involves two primary phases: first, organization; and, second, plant development.

The organization includes the proper organization of executive and operating personnel, capital, sales force, advertising staff, and administrative departments. The development of a plant under the above mentioned analysis works out along the following lines:

A suitable location must be determined with reference to transportation, labor, market, source of supply, and power. A proper location means a good geographical location with reference to these items. Given the city in which to locate, the process of elimination of sites usually must be repeated, bearing in mind railroad and teaming facilities, labor supply, transportation of labor, sufficient area for present and future needs, adequate water, sewage, light and power facilities, and a market for local distribution.

The railroad facilities must be adequate to handle the raw materials from their sources and to ship the finished or sold products to their market. This means that the site usually should be such size and shape that a railroad spur can be located thereon without undue waste of land. A railroad track cannot be built with the same radius of curvature that a street car track can be laid. This is frequently overlooked in laying out a plan on an unstudied piece of ground.

If teaming facilities only are required a site ordinarily must be adjacent or accessible to well paved streets, as the commodities are often handled by truck rather

than by team, and the length of haul is often determined beforehand.

The plant must be located so that the kind of labor, as well as the quantity of labor, which is necessary can readily be secured. There are, for example, different classes of labor in Gary and Hammond, Indiana, and on the West Side, the North Side, and the South Side of Chicago; and a wholesaler probably would no more think of building a clothing warehouse in Gary than he would consider locating a rolling mill or a foundry in a district on the West Side, where only female labor can be secured advantageously.

WHAT CONSTRUCTION DETAIL SHOULD BE CONSIDERED
IN LAYING PLANS FOR A NEW BUILDING?

A wholesaler who is content to build a plant which has no possibilities for expansion is, naturally, putting a limit to his own ability as well as a limit on his organization and on his output. Many wholesalers are confronted with reduced profits and an ultimate stagnation of their business because they lack space in which to grow.

Of course, every concern has its special requirements to provide for in various ways. These may be, for example, water supply or sewage disposal. Municipal and state regulations must be carefully studied to see that adequate provision may be made for these requirements without violation of any ordinances or laws. Large warehouses sometimes have been constructed without proper anticipation of these requirements, and in some instances enormous expenses were involved in satisfying requirements which had been overlooked.

Transportation was the factor given primary consideration in choosing the location for a wholesale building recently erected in Chicago to replace an old one. The old building in the loop district was in a

fine central location, but all goods had to be hauled to and from the railroad by motor truck or wagon. In selecting the site on the North Side of the city the company kept in mind the fact that the proposed site was on the Chicago tunnel system, and that in addition a nearby railroad furnished 800 feet of trackage facilities, 150 feet of which ran between the building, and a blind alley, which permits the company to unload cars either directly into the warehouse or to wagons, thereby saving the cost of taking merchandise into the warehouse if it is to be delivered directly from cars. Loading from the warehouse is, of course, equally convenient. Arrangements were also made to obtain railroad receipts in its own building for all goods shipped out of the city.

Another wholesale concern, having a large city distribution for its goods, also considered the question of transportation with exceptional care when deciding on the location for a new building. This house handled its local deliveries and its out-of-town shipments to railroad stations by a fleet of motor trucks. In the old location the delivery of goods was greatly impeded by the congestion of traffic in the center of the city.

By building its new building five blocks further down the same street it avoided this congestion, provided its staff with plenty of loading space and at the same time remained within a short hauling distance of the more important railroad stations, and within easy reach of such of its customers as wished to haul their own goods.

Of prime importance, of course, in considering a new building, is the cost of materials. Just what the increase was in the cost of building materials of various kinds in the five years ending with 1916 is shown in a chart (Figure 72) prepared by the Southern Pine Association. Steel and cement climbed rapidly, while brick exhibited only a moderate upward tendency. The

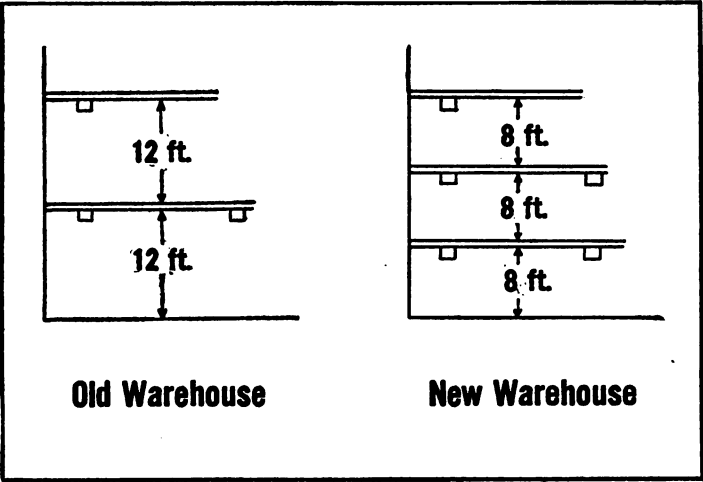


FIGURE 72—By decreasing the height of the ceilings in the rooms where the heavy goods were handled one wholesaler saved floor space and reduced warehouse costs in his new building.

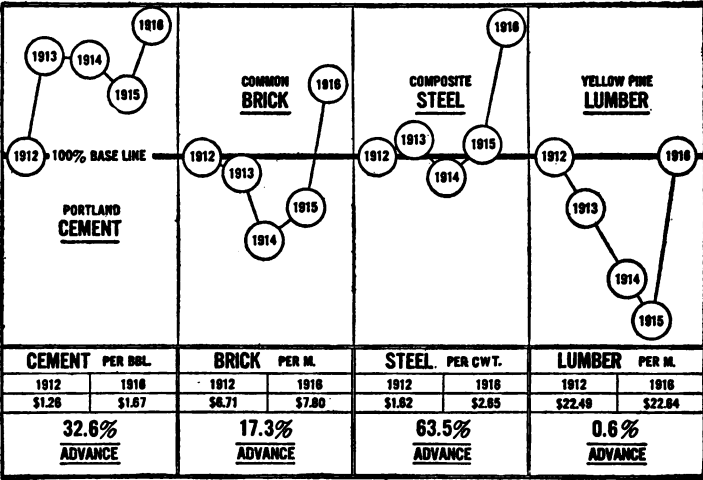


FIGURE 73—A comparison of the cost of four building materials for the five years ending with 1916 is shown in this chart prepared by the Southern Pine Association.

chart shows that lumber decreased in price during the period surveyed and began to rise in 1916. The cost of materials early in 1917 was considerably higher than that shown in the chart. This was especially true of lumber. In addition to these costs of materials, the wholesaler who is considering building has to consider the increased cost of labor, an advance of nearly 100% in plumbing and heating supplies, and increased difficulties in transporting the building materials.

THE EFFECT ON SPACE OF THE HEIGHT OF THE
PLANT'S CEILINGS

More detailed savings in time and space are often possible when the new building is erected—and they will go on cutting the rental charge year after year. A large wholesale grocer, for instance, found that in his old building, with its 12-foot ceiling, much valuable space was lost (Figure 73). The labor charge for handling a large number of the staples was excessive.

Bulk goods, for example, like sugar, flour, and salt, could be piled only as high as a man could reach on a small stepladder, and in a room with high ceilings considerable space was wasted. It was found that with lighter forms of boxed and package goods, much bigger piles could be made, because the men could work on a higher ladder without difficulty.

When he moved into a new building, this wholesaler provided rooms with low ceilings for the heavy bulk goods and high ceilings for the lighter staples. A considerable saving was thus made in floor space.

Then to cut down handling and trucking expense, lowerators were installed to move bulk goods to the shipping room and spiral chutes were used for box and package goods. By carefully studying the movement of the merchandise as it came in and went out of his establishment, this wholesaler was able to tighten up his organization.

Details of a building which deserve most careful consideration are the questions of the interest charges on the building investment, or rent, taxes, depreciation, and insurance, all of which, of course, are affected by the type of building.

Let us go on to the second of the three general plans wholesalers have used in increasing space to take care of growing business—remodeling the old building.

DO YOU KNOW WHEN IT IS BEST TO REMODEL THE
PLANT—WHEN TO BUILD?

Remodeling the plant is a frequent necessity in these days when the wholesaler is often a manufacturer and when many labor-saving devices are paying big dividends on their instalment cost. The preliminary step to any remodeling first is to determine whether or not the economies effected will warrant what usually turns out to be a pretty expensive program. To remodel during operations may mean loss in damage of goods, interference with proper deliveries and shipments, and the general upsetting of the routine of a well conducted house.

This loss must be anticipated in actual dollars and cents and charged against such remodeling operations. It should be borne in mind, in considering expense in remodeling, whether or not the proposed investment is going to pay for itself through the frequently very limited period of years which the old building may have before it. In other words, it would not be well to spend \$20,000 to fix up a \$50,000 building if it could be foreseen that, due to the growth of business, or for any other reason, the building would have to be abandoned before the added cost could be returned in savings made.

The other details of remodeling a plant conform quite closely to the principles it is necessary to observe in putting up a brand new plant.

When the high cost of buildings, together with the scarcity and inefficiency of labor, preclude the advisability of a new building, or remodeling, the next best plan is to make the most of what you have—the third and last of the three general plans encountered during the investigation. There are many wholesalers today who are developing their plants through the careful study of what they have, instead of spending their time on what they would like to have.

Here are the steps to take, based on the experiences of several concerns.

Determine the maximum width of aisles necessary to handle goods. Paint lines on the floor to establish this aisle and then pile the goods right up to the line. Many plants were found to have wasted 30% of their total floor space in unnecessary aisle widths and in too much room around the elevators, stairways, and stock rooms.

After establishing the maximum area available for stock and storage, the stock which is changed most frequently can be put nearest to the elevators or distributing points and the spaces at the far end of the rooms kept for the stuff which is least often moved.

Every department should be carefully searched, first, to find all the floor space; second, to determine the proper location of the various stocks; and, third, to see that the stock is piled as closely and as high as it can be economically handled. There are many plants in operation today where a saving of one tenth of the floor space could be obtained by a single careful investigation based on these three points.

“Straight line routing” could perhaps be called the keynote of modern effective planning and it applies not merely to the factory with its straight line machine operation, but also to the wholesaler or jobber who has a building full of stock of a thousand and one different kinds of articles. Every article in any miscellaneous

stock can have its location carefully determined so that the straight line is also the shortest line—short in both time and distance.

The application of any one of the three general plans described seems obvious enough, but nevertheless many plants were visited where, apparently, little or no thought had been given to meeting the problem of ever growing costs through improvements in buildings or locations. And this in spite of the fact that on every hand other wholesalers were working out their problems with one or the other of these plans and getting satisfactory results!

CHAPTER XIII

WHAT SHOULD HEAT, LIGHT, POWER, INSURANCE, AND TAXES COST?

HAVE you given—are you giving—the proper attention to the many little details in your building's construction that in the aggregate are so important in their effect on costs? At every turn in the country-wide investigation among wholesalers which made this book possible, it was apparent that construction details involving cleanliness, fire protection, lighting, health, water supply, heating, sanitation, floors, and so on, day in and day out exert a positive influence on costs, and, therefore, on profits. Often these details are overlooked in an old building, even though a few alterations might make a surprising reduction in expense. Sometimes, also, they are overlooked when a new building is put up.

It is attention to details of this type that is cutting costs for many wholesalers. Insurance, heat, light, power, sometimes even taxes, are affected one way or the other by the building. It is evident that, more often than not, what at first glance appears as an unnecessary refinement, may in the long run turn out to be a real economy. On pages 168, and 170 you will find some interesting cost-of-doing-business figures covering heat, light, insurance, power and taxes.

Costs are surely rising. And general building overhead costs are no exception. The cost of insurance and taxes as shown in the table on page 170 indicates that wholesalers in practically all lines pay from four tenths to seven tenths of 1% for these items. This

figure usually can be reduced by installing effective fire protection apparatus. For instance, one wholesaler installed a sprinkler system in his warehouse and cut his insurance premium more than three fifths. Another wholesaler accomplished a like result by closing with steel doors all openings between floors and by covering walls and ceilings with asbestos wherever there was danger of fire.

In the remaining pages of this chapter will be found plans used by different wholesalers to lower insurance costs by reducing fire risks and to increase their employees' effectiveness by providing better lighting conditions and more adequate heating and sanitation facilities. These subjects are taken up in the order named.

One house has found that it best can keep down insurance costs by maintaining a rigid inspection of its own on its building. The electric wiring, boilers, elevators, and other machinery are carefully looked after.

Particular attention is paid to the sprinkler equipment. Regular examinations make certain that parts of the sprinkler system which should be working, are working. Hose, standpipes and fire extinguishers also are kept in good shape and the entire working force regularly is drilled for a fire emergency, not only with a view to fighting fire, but also to get the employees out of the building quickly and without suffering injury.

In an electrical warehouse in the West the great part of the walls are of brick, but the floors and the walls for about six inches up are of poured concrete. This is laid so that the interior corners are round, leaving no place for dirt to catch and making it possible to wash out each department with a hose.

When one wholesaler decided to build a new building recently he laid plans to overcome many defects which had long been noticeable in the old building. These

CUTTING OVERHEAD EXPENSE

LIGHT, HEAT, AND POWER

These figures for heat, light, and power costs indicate that clothing and dry goods houses have the highest average expense for these items. This apparently was due to the fact that clothing and dry goods houses often maintained large buildings and not infrequently manufactured part of their products. This, naturally, increased the costs for heat and light. The figures also show that the indicated costs for these items of expense apparently are as high or higher for houses doing an annual business of \$500,000 to \$1,000,000 as for the larger houses. Many firms, investigation showed, reach a point where they have to build a larger building when the sales go over the \$500,000 mark and for this reason the proportionate upkeep expense on this investment is unusually large until the firm "grows up" to its building. It will be noted that in some cases the indicated attainable standard for this item of expense is larger than the average cost for all concerns. This is largely due to the fact that the group of concerns having the lowest total expense from which the indicative attainable standards were taken usually were concerns which used modern methods and had their business housed in well equipped buildings, while the lower indicated typical percentages were brought about by concerns whose buildings, while their light, heat, and power costs were low, were not of the most modern type.

(Firms with Annual Sales of More than \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.1%	0.1%
Clothing.....	0.3%	0.2%
Hardware.....	0.2%	0.1%
Shoes.....	0.2%	0.2%
Drugs.....	0.1%	0.2%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.2%	0.2%
Clothing.....	0.3%	0.2%
Hardware.....	0.2%	0.2%
Electrical Goods.....	0.1%	0.3%
Dry Goods.....	0.4%	0.3%

(Firms with Annual Sales of Less than \$500,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.1%	0.1%
Hardware.....	0.2%	0.1%
Electrical Goods.....	0.1%	0.1%

included improved facilities for handling stock and better systems of communication, but one of the most important changes was the arrangement for keeping the building clean.

A suitable system of removing waste quickly was especially important because of the inflammable nature of a large part of the stock and the strict requirements of the fire insurance companies. In the old building it was necessary to sweep up the waste on each floor, place it in trucks, and carry it on an elevator to the basement. In the new building provision was made for a brick shaft extending from the basement to the top floor and entirely cut off from the rest of the building. On each floor an iron door controlled by a heavy spring opens into the shaft.

To keep the accumulation of rubbish from interfering with the work it has been necessary to organize a staff of janitors. Every floor and all the stairways are swept thoroughly once a day. All refuse is thrown into the waste shaft through the trap doors, thus saving much time over the old system. In the basement this waste is carefully sorted. The paper is baled and sold, bringing in considerable revenue in the course of the year. A small baling machine was installed to facilitate this work. All other refuse is burned in the furnace and helps to reduce the coal bill.

The waste shaft is so constructed that a large amount of waste might burn in it without injuring the rest of the building. To make possibility of fire more remote, however, the automatic sprinkler system is extended into the shaft. The entire shaft would be flooded in a few minutes if a fire started.

Other methods for reducing the fire risk and cutting the cost of insurance include double fire doors between each department and at all exits, fire extinguishers placed at convenient intervals, and a complete sprinkler system. Among the most important means of

CUTTING OVERHEAD EXPENSE

*INSURANCE AND TAXES

Insurance and tax costs are fairly stable, investigation indicated, in businesses of the same size and kind. The large firms seem to have less opportunity for reducing these items of expense than the small ones. However, many firms were able to make substantial reductions in their insurance costs by installing fire protection systems, by rearranging stock, and by keeping the building clean. Some small hardware houses apparently have been able to make substantial savings on these items while the most successful small grocery concerns and those having sales of more than \$1,000,000 apparently have an investment in buildings and stock which requires a slightly larger expenditure for those items than the average.

(Firms with Annual Sales of More than \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.4%	0.5%
Clothing.....	0.4%	0.3%
Hardware.....	0.7%	0.7%
Shoes.....	0.6%	0.4%
Drugs.....	0.4%	0.3%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.5%	0.5%
Clothing.....	0.4%	0.3%
Hardware.....	0.7%	0.6%
Electrical Goods.....	0.6%	0.5%
Dry Goods.....	0.5%	0.3%

(Firms with Annual Sales of Less than \$500,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.4%	0.5%
Hardware.....	0.8%	0.4%
Electrical Goods.....	0.4%	0.4%

*It should be borne in mind that in compiling these average cost percentages the locations of the various houses were not considered. In most lines, investigation showed, costs were apparently from 1½% to 2% higher in the West than in the Middle West. It was apparent also that eastern concerns had a higher cost of doing business than those in the Middle West, although the difference was not so great. Wholesalers in the South, it was found, apparently had lower costs of doing business than in other sections of the country.

protection adopted by this concern is the type of flooring used in the acid and oil departments.

On the third floor of the building one department is devoted to the handling of strong acids in bulk. The floor in this department is made of a composition which is fireproof and which will resist the attacks of the strongest acids. Soon after the new building was occupied a carboy of acid exploded. It would have started a fire on an ordinary floor, but the composition flooring was not damaged and there was no fire.

In the oil department, which adjoins the acid department, a different kind of composition flooring is used. This floor is also fireproof and no oil can soak into it. Oil spilled on the floor quickly dries and is scraped off each day.

**THIS WHOLESALE GOT MORE OUT OF HIS BUILDING BY
MAKING A SALESROOM OUT OF A BASEMENT**

Getting the proper amount of light into the building is important not only in conserving the health of the employees but in the proper display of goods. One wholesale distributor recognized this when he recently installed prism glass in the basement windows and in the sidewalk in front of his building. Before the glass was put in it had been possible to use this basement for storage purposes only owing to darkness. After this improvement was made he was able to move one display department to the basement and to take his customers there with a feeling of pride. This improvement not only relieved a serious congestion on the main floor but more than doubled the value of the basement space.

A heating system normally costs between 5% and 15% of the total cost of the building, investigation indicates. And proper heating of a warehouse is just as important as that of the home. Rooms must be properly heated to hold good workmen. Many states

are enacting legislation to obtain satisfactory working conditions, such as ventilation, light and heat. Buildings usually can be so designed as to be ventilated effectively. Hence, it is a wise employer who not only provides what the law calls for, but who gives his men and women the conveniences that are recognized as absolutely important factors in employing and holding competent labor.

An Eastern wholesaler built a concrete warehouse and was greatly troubled because of the coldness of the concrete floors, especially in the shipping room where it was necessary to keep the doors open much of the day. It was impossible to keep some of the goods on the floor for any length of time and many of the employees complained because they had to stand on the cold surface.

The wholesaler overcame this difficulty in some departments by laying a hardwood floor over the concrete. This was warmer and not so hard to walk on. In the shipping room, where many cases were handled and trucks were used extensively, steam pipes were sunk into the concrete. These pipes kept the floor slightly warm and did not interfere with operation.

Aside from the immediate advantages in reduced insurance rates and more effective work which wholesalers apparently have found in buildings and improvements of the before mentioned type, they evidently also have found in them valuable attractions that appeal to high grade labor and help to build general good will.

PART III

**CAN PROFITS BE MAINTAINED
DESPITE HIGHER COSTS?**

CHAPTER XIV

CAN BAD DEBTS BE MADE "GOOD"?

WITH a reputation as a business getter and a large certified check, both the result of years of work on the road, a wholesale salesman decided to start a retail store in a Michigan city. He put the check in his pocket and went into the wholesale market for his stock.

In nearly every house he tried to buy his goods on time and showed his check as evidence of his worth. Some houses refused to sell him, believing that since he had the money, he should discount his bills. Nevertheless, the former traveling salesman succeeded in buying a big stock and the opening of his store was advertised widely.

One large house, which had refused credit, decided to watch this man's buying and selling methods. Through its salesmen the house was not long in learning that the new retailer was not paying his bills. He was, however, very careful to collect promptly from his customers. Within a year the man had disposed of his stock and then he disappeared. By not accepting the evidence of mere possession of good money as proof of good character and ability, this firm was able to avoid a loss on an account which looked desirable on its face.

This instance serves to illustrate the fact that growing competition and narrowing margins of profit compel closer attention to losses from bad debts. Rising costs also have a finger in this pie. Many retailers, able perhaps to struggle along and meet their bills in past years, have been unable to cope with present cost

conditions. Result: often the wholesaler has held the bag. And that this situation demands that wholesalers keep a more watchful eye on the granting of credit cannot be denied. Study the cost-of-bad-debts figures on page 177 if you want brand new proof positive on all these points. Yet, it is all very well to know that bad debts are a vicious element in the steadily rising cost of doing business. But how shall the wholesaler go about it to combat them?

Investigation discloses that all over the country successful wholesalers are using tested plans and methods to lower bad debt costs and that they fall under six general classifications: (1) drawing credit lines tighter; (2) educating customers to buy conservatively, and helping them to get on their feet again when they draw perilously close to failure; (3) giving discounts for cash; (4) investigating new business or apparently unwarranted increases in old customers' orders more carefully; (5) checking more closely on credit extensions; and (6) cooperating with other wholesalers in handling credit information.

Here is an instance showing the value of the first of these six general methods—drawing credit lines tighter. A few years ago a wholesale house, the sales of which are about \$1,000,000 a year, distributed food-stuffs over an area of 150 miles from its headquarters and then, on account of the steadily climbing sales expense, decided to abandon long range selling for an intensive campaign in a radius of 25 miles.

This cut the selling and traveling expense 18% the first year, and while there was a slight reduction in the gross sales, it was offset profitably by the more economical sales policy. Before it adopted the "selling at home" plan, this house found it difficult to hold bad debts below 2%. It was expensive also to collect slow accounts in the outlying territory, and sometimes the credit department found these distant accounts a

WHAT BAD DEBTS COST

Cost figures gathered from the 387 wholesalers reached in the course of the investigation behind this book, indicate that with concerns doing a business of more than \$1,000,000 a year, shoe and clothing firms lead in expense for bad debts with marks of 1.6% and 1.2%. The attainable mark for shoe firms is indicated to be 0.6%—quite a difference, you'll agree—while for wholesalers of clothing 1% is indicated as a fair cost. Perhaps the answer to the higher indicated costs for bad debts for these businesses may be laid, at least partly, to changing styles. A retailer, no matter how honest, who is caught with a large stock on hand, unsalable because of changed styles, is, of course, likely to become a "bad pay" or at the best a "slow pay." Electrical goods concerns are indicated to be the hardest hit by bad debt costs of the wholesalers in the seven lines investigated that have businesses with annual sales of \$500,000 to \$1,000,000 and of less than \$500,000.

(Firms with Annual Sales of More than \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.7%	0.44%
Clothing.....	1.2%	1.0%
Hardware.....	1.1%	0.8%
Shoes.....	1.6%	0.6%
Drugs.....	0.6%	0.5%

(Firms with Annual Sales of \$500,000 to \$1,000,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.5%	0.4%
Clothing.....	1.0%	0.8%
Hardware.....	0.8%	0.7%
Electrical Goods.....	1.5%	0.8%
Dry Goods.....	0.5%	0.3%

(Firms with Annual Sales of Less than \$500,000)

Line	Indicated Typical Costs	Indicated Attainable Costs
Groceries.....	0.5%	0.4%
Hardware.....	0.6%	0.5%
Electrical Goods.....	0.9%	0.3%

stumbling block in the compilation of complete credit information.

By centralizing the business, it was easier to give advice and assistance to customers, and naturally the

danger line in accounts was brought nearer control and credit lines were drawn tighter than under the old conditions. The first year after the new plan was tested, the loss from bad debts was reduced to 0.4% and later this was brought down as low as 0.25%.

HOW ONE WHOLESALER SAVED STATIONERY BY USING
CARBON INVOICES AS FOLLOW-UPS

The head of this wholesale house tries to make it a point to see that his accounts outstanding at the end of a month are less than the total net sales for that month. For instance, a customer whose open account has run 60 days, cannot get his orders filled without giving an explanation for his delinquency in paying.

This has helped the wholesaler to keep in touch with the methods of the retail merchant who does not discount his bills. He has gone a step farther in perfecting better methods to handle collections and to chase the overdue accounts. After the monthly statements were sent out it was customary to follow them up at intervals of from two to three weeks. This increased the postage and stationery expense and crowded the bookkeeping department at the end of the month.

To replace this costly and ineffective method a new plan was adopted. A duplicate copy of each invoice is marked with the due date and filed chronologically. Each day the invoices due the previous day are taken out, checked over with the ledger entries, then placed on the credit manager's desk. If an account is paid, the invoice copy is destroyed. If not paid, a statement is sent out immediately and the copy is filed ahead six days. If the second statement does not bring a remittance, a collection letter like that shown on page 179 is written, and, if this fails, the personal solicitation of the collector is employed, almost always with satisfactory results. This simple plan greatly reduced the number of past due accounts, and removed the

possibility of a heavy charge-off when the books are closed at the end of the year.

Dear Sir:

Your account is now 60 days overdue.

Don't you see that by treating us in this unbusinesslike manner you are seriously injuring your own credit? We are reluctant to think that you are wilfully ignoring this account, disregarding our rights, and your standing as a reputable business man, but we will be compelled to assume this attitude if you allow this letter to remain unanswered.

We should much prefer to find that there has been some good reason for this condition of affairs; but if you give us no explanation we shall consider your silence as practically an invitation to take any action necessary to protect our interests.

Please remit immediately on receipt of this letter.

Let us now go on to an instance showing how one wholesaler educated a customer to buy more carefully and at the same time helped him to get on his feet again—the second of the six general methods enumerated.

"Burns wants 12 gold watches and is ready to pay cash for them," said an order clerk to the credit manager of a large wholesale house.

"Has Burns paid that 90-day balance?" the credit manager asked the chief bookkeeper.

When it was found that Burns had not taken care of the old account, he was told he could not have the watches, spot cash or otherwise, until his balance was wiped off the books.

Daily records of the purchases and payments of each customer are kept in a card index file by this wholesaler. When an account is allowed to run more than 60 days, the credit manager makes an investigation into the

methods employed by the customer, especially to ascertain if he is buying elsewhere, thus creating contingent liabilities. Burns, examination disclosed, was buying from a number of other small dealers, cutting prices on his goods to attract customers, and taking losses, thus burdening his expense. This policy is almost always certain to involve a dealer financially, and the wholesaler who detects it can frequently render profitable and helpful service to the customer by giving him advice and refusing extensions in both time and money until the business is stronger.

When Burns called later at the wholesaler's office to learn why his order was turned down and his money refused, he was surprised to find that the wholesaler had complete knowledge of his business activities, gleaned through the credit department. He admitted that he was having trouble in maintaining his business and extending it, and acknowledged his indebtedness to other creditors.

HELPING THE DEALER TO BUY RIGHT OFTEN PREVENTS
RETURNS AND CUTS DOWN BAD DEBTS

Like many wholesalers, this man did not wish to participate in a bankruptcy proceeding by forcing Burns to surrender a schedule of his assets and liabilities for distribution. Instead he showed him how his promiscuous buying increased his expenses and indicated how the business could be run on a more economical basis by sacrificing a lot of trinkets long in stock which were found to be slow to sell. Then he showed him how to study his market and to buy only in quantities that would speed up turnover, avoid tying up capital, and, therefore, bring quick profits.

To take care of the 90-day account, the wholesaler was willing to take three notes for the amount due and then to sell to Burns the watches for cash. In this way the customer was given an opportunity to profit by his

past mistakes and to win back the confidence of his supply houses.

A discount of 2% for cash within 10 days from the date of invoice as a premium for anticipating the due date of a bill is one of the best methods of cutting down losses from bad debts, according to Joseph E. Reagan, president of the National Wholesale Jewelers' Association, in speaking of the third of the six general methods indicated to have been found helpful by many wholesalers. He regards the cash discount as an important safeguard, and says:

ONE MAN'S VIEWS ON THE VALUE OF CASH DISCOUNTS
FOR GETTING PROMPT PAYMENTS

"If a wholesaler keeps his eyes on his bad debts and figures them out he will find that the dealer who fails is the one to whom he has extended long time credit. In a concern, for instance, with 2,500 customers, many of whom are never seen by the credit man, their rating is fixed largely not by any reports secured from commercial agencies but from their methods of paying their bills.

"Where these customers take advantage of the cash discount it practically establishes their credit, but with the inducement to pay promptly withdrawn, it is quite likely that they would allow the account to run for an indefinite period and there would be no means of determining whose accounts are good. Those who take advantage of the cash discount are to be considered a far safer risk than those who permit a danger flag to be placed on their account by failing to take advantage of it."

Three of the six general methods successfully used by wholesalers to hold bad debts in leash have been described. We now will take up the fourth—keeping a wary eye on new business and unusually large orders from old customers.

Large orders from firms the supplies on the shelves of which have been furnished by other houses always open an interesting chance for inquiry. There may be substantial reason for a change to another line of goods, but the prudent wholesaler makes it a point to find out the reason for a sudden recognition of products.

A prominent distributor of foodstuffs in the East hired a salesman who had a wide acquaintance in the trade. The salesman was instructed to push the private brands of the wholesaler and to take orders on the staples only as they came. In a short time, the salesman sent in a large order for teas, coffees, and spices for a retailer that the firm had been trying to sell for a long time. The order also called for a heavy shipment of sugar, and, as this staple yielded but little profit, the house wondered why the salesman booked the big order.

He was called in to give an explanation for his apparent tendency to override the order limiting the sale of a staple the market of which at the time was upward and unsteady. The salesman said the banks and commercial agencies gave the buyer a good rating and also advanced the argument that the buyer had been in business for nearly a quarter of a century in a growing city. Moreover, he said that his acquaintance gave him an advantage that helped to pull the order.

On its face the account was desirable, but the policy of the wholesaler was to accept orders of this kind only after a personal investigation has been made. Representatives of the house were sent to the town where the new customer was located and a thorough examination made into his financial condition and his methods of doing business. It was found that the glowing reports of the salesman would not stand up under this acid test. The firm had unpaid bills at other supply houses and the head of the business was engaged in other business enterprises which demanded a great share of his attention. His order was rejected.

"Often the surface indications look favorable," says this wholesaler, "when as a matter of fact the credit line of the customer is strained and the business stands on a tottering foundation. This particular order I declined is one of many that receive similar treatment during the course of a year. Long experience and personal investigation wherever I believe it is necessary have enabled me to keep my losses from bad debts down to less than 1%, although my gross business is nearly \$2,000,000 a year.

SOME FACTS YOU PROBABLY SHOULD KNOW ABOUT YOUR
CUSTOMER'S BUSINESS

The fifth of the six methods—keeping a tight check rein on extensions of credit—comes next.

Wholesalers often are confronted with requests for extensions of credits and unless keen discrimination is shown in giving such accommodations, the losses from bad debts may pile up rapidly. To be sure, the wise wholesale manager aims to get the financial statements of the condition of his customers for the credit files. This, however, does not always suffice in gaging accurately the buyer's merchandising capacity or his ability to meet his bills at maturity.

An example of this was shown in an experience with a retail druggist whose store was located at a busy junction point in a large city. One day he came into a wholesale house and asked for a credit extension on an order amounting to \$1,200. This retailer was buying from three wholesale houses in the city as well as from an outside syndicate. He had given a statement of his condition to these supply houses, so when he asked for more time the credit man at once referred to this statement.

It was found that while he had a stock of \$22,000, he owed about \$20,000. His accounts outstanding were in the neighborhood of \$25,000, and the lease on his

building in a choice location—always a valuable asset—was about to expire. The credit man asked him about the heavy amount of receivables. Evidently, the dealer was extending too much credit or was loose in his collection methods, and to grant the extension meant primarily that the house was passing on his credits. The customer was told he could not have the \$1,200 in trade unless he reduced his receivables and then proceeded to extend his cash business.

He promised to do this and later when he called and showed the credit manager that he was making good on his promise and that his cash business was larger than ever, he obtained the extension. He was able, through steady and consistent collection methods, to reduce his receivables. In this way, the wholesaler, besides performing a helpful service to the customer, lessened his own chance of accumulating bad debts.

One retailer who decided to open a branch shoe store in a neighboring town presents another interesting example. After selecting the site for the new store, the retailer visited the wholesaler and wanted an extension of credit on his account. He had been a customer of the house for a long time and had always discounted his bills.

By friendly inquiries, the retailer was induced to tell that he was speculating in an industrial investment in his home town and that he had borrowed money at his bank to get the securities. After investigating the outside venture, the wholesaler called the customer in and showed how this venture might lead to a future embarrassment by taking his mind off the business he was best equipped to handle. The retailer saw the logic of the reasoning and disposed of his outside interests. When the credit he applied for was granted, the wholesale house was reasonably confident that it had removed an element of doubt in this man's affairs which might have led to loss.

APPLICATION FOR CREDIT TERMS 30 DAYS				IF SPECIAL REPORT IS REQUIRED							
DATE <u>January 7,</u>				Mark X in This Space							
Mr. _____ Given Name _____ Initial _____				PHONE REPORT							
Mrs. <u>Adams</u>				A B C D E F X							
Miss _____											
Address <u>1252 Haus Avenue</u>											
If Moved In Last Year _____											
Former Address <input checked="" type="checkbox"/>											
Business or Occupation <u>Architect</u>		Time of Service <u>15 years</u>									
Business Address <u>961 Crescent Blvd.</u>											
Property Owner	Housekeeping or Boarding	Estimated Credit	Special Accounts								
<u>Yes</u>	<u>Housekeeping</u>	<u>\$500</u>	<u>Open Monthly</u>								
Reference <u>Twely, A. W.</u>				Check Credit Decision							
				Account Opened <input checked="" type="checkbox"/>							
				Account Refused							
				To Be Considered							
Special Information <u>Has considerable property -</u>				Report Made by <u>W. J. Wood</u> Credit Manager							

FIGURE 77—Each new customer is required to fill out a credit application blank. The spaces at the right are for recording reports on the customer's standing obtained by the association.

CREDIT INFORMATION AND ADJUSTMENT BUREAU			
Report on _____			No. _____
Town _____	Shipping Point _____		
P. O. Address _____	State _____		
Overdue _____ days	Makes unjust claims		
Chattel Mtg. _____	Given to Atty. _____	Acct. Closed <input type="checkbox"/>	
REMARKS			

FIGURE 78—In case a wholesaler has to make an adverse report he checks the reason for it on this form.

The last of the six general methods comes next—cooperation in handling credit information. Wholesale dealers in one city have cut down their losses from bad debts by a cooperative plan of collecting and distributing credit information. This is done through a credit information and adjustment bureau. There are 56 wholesale and jobbing firms in the bureau and they furnish each other with information daily. Promptness in notifying the bureau of the opening of new accounts is insisted upon and does much to make the work of the bureau valuable.

HOW AN ASSOCIATION HELPS WHOLESALERS IN ONE CITY TO
PREVENT BAD DEBT LOSSES

Each concern has a number known only to the manager of the bureau and his assistants. Collection of information has been extended to include retailers also, so the members can obtain complete information about any firm or individual who ever had a charge account in the city. This information is collected and given out over a private telephone system, and in case any general announcements are to be made all the members can be put on the wire at once. As each firm is known only by number one firm cannot tell what other firm is giving or asking information.

Special forms are provided each member for tabulating the information. Figure 74 shows the form filled out by the wholesaler and kept by him. The divisions on this form correspond to the main divisions on a card kept in the credit bureau. This card (Figure 75) is 7 by 10 inches in size, ruled on both sides, and is filed alphabetically. The bureau keeps its information under several classifications and a folder is devoted to each individual or firm. When a request for information is received the clerk receiving the call turns to the proper file, which is conveniently near, and reads from the card (Figure 75) and the customer re-

cords the information on the form shown in Figure 74.

When an account is opened by a member it is noted on a special form (Figure 76) and sent to the bureau. The machinery of the bureau is at once set in motion to collect the necessary data. Each member is also provided with forms to be filled out by the customers when applying for credit (Figure 77) and with adverse report forms (Figure 78). This complete system has done much to reduce bad accounts for the members.

The steady rise in the cost of doing business is narrowing profits every day. Each year millions of dollars are lost to business men through customers who do not pay. Any method, therefore, which tends to check bad debts is worthy of consideration. And out of all the methods described in this chapter almost any wholesaler no doubt can find some which will aid him in his fight against these rising costs.

CHAPTER XV

WHAT ABOUT LOCAL DELIVERIES?

HOW much more does it cost you to deliver a package today than it did ten, five, or even three years ago? Wages range from 30% to 45% higher. Feed for horses is higher, in some cases as much as 50%, and very often 40% to 45%. Upkeep of rolling stock costs as much more. The increased area of distribution in cities and the necessity of more frequent deliveries also adds to the delivery cost. The one great advantage to the wholesaler is that he usually is able to route his deliveries better, because of better roads and the increasing effectiveness of motor transportation.

This book, of course, has no place for controversy on the relative merits of horse and motor delivery, neither would it be consistent or wise to attempt to advise on the type of delivery equipment to buy. Also, the delivery problem varies so widely that an attempt helpfully to classify wholesalers into those who could to advantage use motor trucks or horse-drawn vehicles, or both, probably would fall short of its aim.*

*The cost of operating motor trucks generally is figured at about 100% in excess of the cost of teams. This is, of course, due to the depreciation and upkeep charges on a motor truck and to the increase in the cost of supplies. Insurance on a truck usually is figured at about 50 cents a day, and the wages of a truck driver usually are about \$21.50 a week, as compared to \$18 for a teamster. Experts believe that in order to make a profit a motor truck should be moving at least 60% of the time. A team may be profitable, it is estimated, if it is moving only 35% of the time. But a truck on the move is estimated often to be worth eight teams! If it is desired to go more deeply into the delivery problem from the equipment angle, "The Motor Truck as an Aid to Business Profits," published by the A. W. Shaw Company, will perhaps be found helpful. Lists of other useful texts on this subject, whether or not published by the A. W. Shaw Company, may be obtained upon request to the Librarian of the A. W. Shaw Company, Chicago, who is always at your service in this and all similar matters.

It is possible, however, as a result of investigation, to give worth while examples of how wholesalers have worked out their delivery problems. The indicated percentage of delivery costs to total gross sales, both actual and attainable, is included in the indicated costs for packing and shipping given in Chapter X.

The tested plans that follow show how wholesalers have increased profits and successfully met daily rising costs by installing proper delivery equipment, after carefully determining just what the equipment must do. Running through all these plans, it will be found that most of these wholesalers found solutions to their delivery problems only after obtaining an accurate routing and scheduling of their deliveries.

PERHAPS YOU ALSO CAN MEASURE YOUR DELIVERY
ROUTES WITH A "YARDSTICK"

By measuring off with a "yardstick" all delivery routes within his business area, a wholesaler in Massachusetts has determined the comparative values to his business of automobile and horse delivery. For his own business, at least, he has found the cheapest and most effective method of getting goods to customers. His method, which reduced his delivery expense two fifths, probably can be used profitably in many other lines of business.

This "yardstick," shown in Figure 79, is really an arrangement of slides of five different colors. The slides are attachable to a base stick. Tacks of different colors probably would do just as well.

Each brown slide represents five minutes spent in loading, each white slide represents five minutes spent in traveling at full speed, each gray slide five minutes at a reduced speed, each green slide five minutes in unloading, each black slide any other delay of five minutes. These slides represent time only. Distance can be calculated from the known speed of the truck.

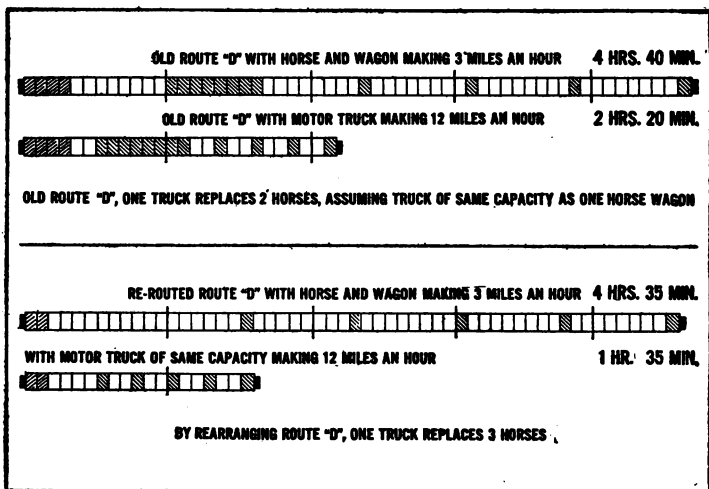


FIGURE 79—A “yardstick” designed as shown, and equipped with slides of different colors enabled an eastern wholesaler to lay out his delivery routes economically.

"DAY DELIVERY SCHEDULE"		
For following delivery zones	Deliveries leave delivery department	
	A.M.	P.M.
North of 4th So. both East and West of Main St.	9:30	2:00
South of 4th So. both East and West of Main St.	10:30	3:30

"COMMERCIAL DELIVERIES EVERY HOUR"
All articles to be delivered must be in the delivery department fifteen minutes before the scheduled time of departure of the various deliveries.
Articles must be accompanied by completed orders bearing full information as to customer's name and address, and must bear credit manager's O. K. or c.o.d. stamp. In case of a c.o.d. or where customer wishes to pay for the merchandise on delivery, all items must be properly priced, discounts deducted, and proper extensions made before order is sent to delivery department.
In case of a battery, delivery must always include the delivery charge - except in case of deliveries to dealers or garages.
Special trips will be made in case of extreme necessity or to tow a car to the shop for electrical repairs.
Your cooperation in aiding the delivery department is necessary and a perfect understanding with the customer will avoid complaints and make our service more satisfactory to all concerned.
DO IT NOW

FIGURE 80—Drivers for an electrical house are kept carefully informed of their routes, trips, and duties by means of schedules such as the one shown above.

Each delivery route was drawn out in a straight line and measured off in units of time consumed in covering it both by truck and by horse delivery. Readjustments of routes followed.

Results showed that on route 1, a fairly long haul, the white spaces showing full speed were barely 25% of the trip. An excessive amount of time was spent unloading. Only four stops were made, but they consumed 65% of the time.

Route 2 had many more stops, but they were short, averaging two and one half minutes each, and the distance between was considerable. The white spaces showing full speed showed up for 75% of the time. The truck was evidently profitable on this route.

On route 3 the stops were short but close together, and the traffic was heavy, as indicated by the gray slides on the "yardstick," showing that the truck was running at only half speed most of the time. The wholesaler decided it was impracticable to use a truck on this route, as too much time was lost.

When the stick was applied to route 4 the white spaces showed for only about 32% of the time. This was found to be due mainly to one big stop near the store, which consumed 25% of the time. The other stops were short and well scattered. This trouble was remedied by eliminating the first stop entirely and sending a horse with the goods to this place. The time thus gained was utilized by extending the radius of the route several miles and bringing in new business.

Application of the measuring stick to route 5 showed a similar trouble, except that the long stop was near the end of the route instead of near the store. For this reason it was impossible to send a team with the goods. By speeding up loading, however, the time was cut down so the white spaces showed just 50% of the time, which was found to be a profitable proportion in running the truck.

On route 6 the "yardstick" at first showed that too much time was consumed in deliveries and loading. Delivery was made in two places, one dealer taking seven eighths of the load and a dealer half a mile farther on taking the balance.

These were two delays to be eliminated. The first was one of loading. This could be reduced to almost nothing by using a demountable body. The second delay, that of delivering, could be removed by a trailer. The trailer was loaded while the truck was otherwise employed. Thus the delay at the loading station was reduced to the time necessary to couple to the trailer. The truck hauled the trailer to the delivering point at full speed and immediately uncoupled.

It happened that route 1, which had three stops close together, was not far from route 6. The truck from route 6 was sent across to an uncoupled wagon on route 1, and deliveries made at the three points mentioned. The truck then brought the empty wagon back to route 6 and picked up the trailer, which was unloaded by that time. The train proceeded half a mile to where the rest of the load was delivered and then went back to the warehouse at full speed.

WHEN IS IT CHEAPER TO LET A DRAYAGE COMPANY
HANDLE DELIVERIES?

This careful working out of the routes' schedules reduced the delivery expense for this merchant by two fifths and enabled him to lengthen the routes, bringing in new business which could not well be reached before. A stable of eighteen horses has been cut to two horses, one used on route 3 and the other for odd jobs. Eighteen wagons were sold.

In many cities some wholesalers have found it cheaper to delegate all delivery work to a drayage company. In one city one of the leading drayage companies has more than 500 horses, 300 wagons, and a

fleet of powerful motor trucks. Another has 375 horses, 243 wagons, and seven motor trucks. With these facilities the drayage companies are, in many cases, able to give the wholesaler as good service as he could give himself.

By systematizing the work of the delivery department a wholesale house in a Western city has been able to give better service at less cost. A city delivery schedule was adopted and closely followed. This schedule is shown in Figure 80, together with the instructions to drivers which accompany it. It will be seen that the commercial districts are served every hour and that two deliveries a day are made to the rest of the city. This company was able to get along with one truck two years ago. Now it has three trucks and a motorcycle with a basket attachment for rush deliveries. The company's investment in delivery equipment is about 10 times what it was two years ago.

In Philadelphia one wholesaler was operating in a small way within the city limits. He had seven horses and wagons and delivered provisions to grocery and provision stores along well arranged routes. He figured that for the work in hand horses were more satisfactory than trucks. In this he was correct, for the stops were frequent and the distance covered daily by each team was less than 20 miles.

His attention, however, was drawn to the rich outlying territory near Philadelphia, the towns and cities lying beyond the suburbs, such as Princeton, Trenton, and Doylestown on the north, Coatesville and West Chester to the west, and Bridgeton and Williamstown in New Jersey. These towns were served, and served poorly, by slow-going boats plying the Delaware, and also by rail. Provisions were shipped to only the principal points along the railroads and waterways, and jobbed from those points. This was unsatis-

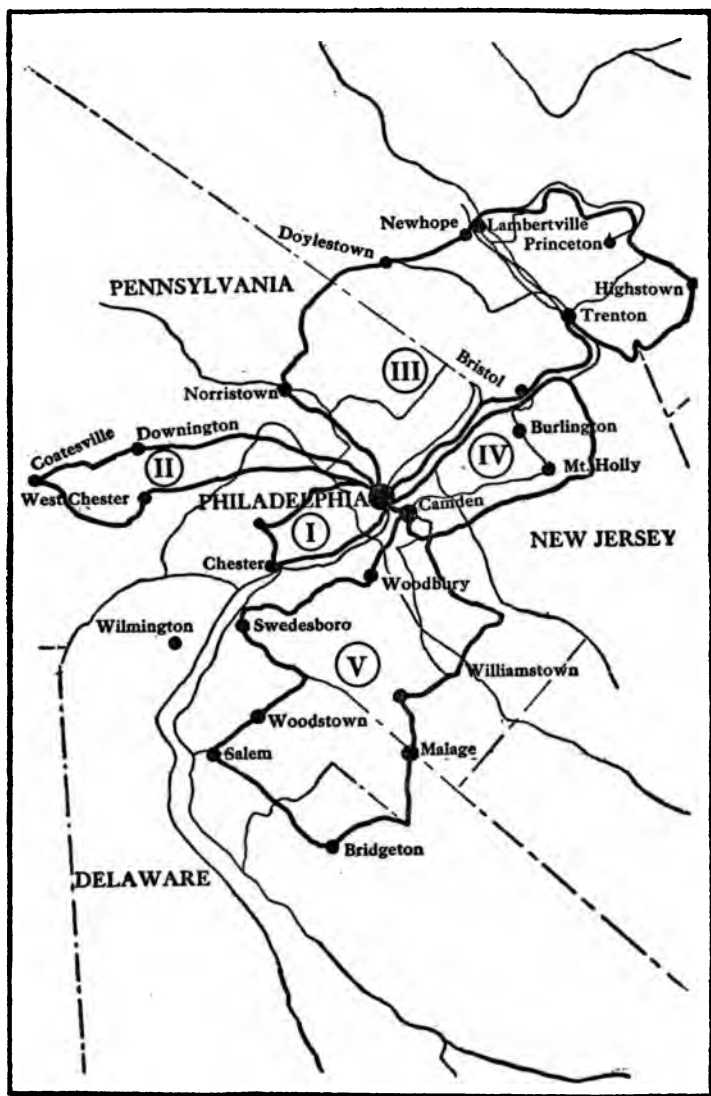


FIGURE 81—Imagination and the courage enabled a Philadelphia grocery jobber to develop his business from a small local trade to one covering many surrounding towns. The five motor truck delivery routes he laid out helped win success.

factory, as orders were placed only at intervals by the local provision men, and the tendency was to order less, rather than more, than needed.

The situation seemed promising to this wholesaler. After he had briefly studied it, he called into play a higher faculty—creative imagination—and began to picture in his mind how the situation might be changed with motor trucks.

A LITTLE IMAGINATION MORE THAN DOUBLED THIS
MAN'S SELLING FIELD

He imagined a fleet of fast trucks covering this territory daily, or at intervals of two or three days. He estimated the effect on this trade of a regular, dependable running schedule, of frequency of call, especially in towns distant from points on the rail and water routes. He took into account the reduced expense of handling business of this type due to the elimination of three separate handlings of stock, the cutting out of the dealer's commission, and the further expense of branch stores or stock depots. He also considered the prestige which he, as a city merchant, would have with a "fresh stock at city prices" argument.

At about this time he called upon the local branch of a truck manufacturer for advice. A salesman conferred with him and between them they prepared a map of the territory under consideration, which in its final form is reproduced in Figure 81.

The territory itself suggested a division into zones or loops. Loops 1 and 4 measured about 75 miles, taking into consideration several offshoots to small towns along the way. Loops 2, 3, and 5 took anywhere from 120 to 140 miles to cover.

He bought five trucks. For the loop to West Chester and Coatesville, and the trip to Burlington and Mt. Holly, he purchased two 1,500-pound trucks equipped with pneumatic tires. These trucks were speedy, and

able to make the trip of 70-odd miles before sun-down. As they needed to carry only enough stock for one day's deliveries, their capacity was ample.

The three remaining loops were too long to be done in one day's running with proper attention to necessary calls. The jobber allowed two days' time for each of these routes, the trucks spending the nights always at the same half-way points, where economical arrangements were made for housing trucks and drivers. As these trucks delivered twice as much as those on loops 1 and 4, he selected 3½-ton models.

The increased weight made it seem a questionable policy to equip with pneumatic tires, and inasmuch as the distance covered daily was much less than that covered in the shorter routes, and the number of calls per mile was also smaller, he found that he could reduce the speed on the larger trucks and use solid tires to advantage.

As a result of this plan he created a business running into \$200,000 a year. The system worked better than he had hoped. The regular, frequent deliveries, the absence of real competition, the prestige of the city store, the guarantee of fresh goods, the psychology of the trucks themselves—all of these factors brought business to him. Instead of quoting lower prices on account of the economies resulting from motor delivery, he soon found that he was able to charge higher prices because of the greatly improved service he supplied.

An Indianapolis concern does not use trucks at all for city deliveries, relying wholly on horses. The establishment of safety zones throughout the city where traffic is heavy, with its tendency to cause congestion, is given as the reason for not using automobiles.

In Los Angeles a large wholesale concern has found that automobile trucks often can be used to advantage in city deliveries. The increasing tendency on the part

of the retailers in this city to order in small quantities frequently developed a serious problem in delivery service. With the growth of the city and the resulting increase in business it became necessary for the company to cut down on the number of deliveries a week to each customer.

By means of a strenuous campaign of education the wholesaler made his customers see the impossibility of giving them daily service and low prices. He now has a system of deliveries to each customer two or three times a week, with different days for different sections of the city. Many retailers have learned to anticipate their wants in some degree and the system has proved effective in reducing this wholesaler's delivery costs.

**SOME WHOLESALERS HAVE FOUND BRANCH WAREHOUSES
THE ANSWER TO HIGH DELIVERY COSTS**

Delivery costs from the old wholesale grocery district in New York, on the lower west side of Manhattan, to points in the uptown residence sections reached a point a few years ago where one wholesale concern actually found it more profitable to refuse orders than to try to deliver them.

This concern, Austin, Nichols and Company, at that time operated four houses in lower Manhattan, three of which were small, and a large main plant at Hudson and Jay Streets. A careful study of costs proved that money was lost on many orders which had to be re-handled from one of these warehouses to another in the course of the delivery. It was two miles from one of the small houses to the main plant and teams and motor trucks had to make the trip several times each day.

It cost \$18 a day to run a 5-ton motor truck, and \$9 a day to operate even a two-horse wagon. It sometimes took a whole day to bring goods from one warehouse to the main plant and to deliver them uptown.

The company realized something had to be done at once.

Tentative plans were tried out but it took two years to solve the problem satisfactorily. The company tore down an old sugar refinery and obtained a good location on the Brooklyn water front near the Williamsburg bridge. There a modern warehouse was built and this was connected with one of the best freight terminals in New York.

All except one of the downtown plants were abandoned and a new building was erected at 129th Street and the East River. By using the lighterage system on the East River to carry goods from the Brooklyn freight terminal to the 129th Street plant practically all the inconveniences of delivery in a big city were avoided. There were no delays due to congested traffic and the cost of shipping the goods was only about 4 cents a hundred pounds.

Deliveries for any part of the city within the radius of the 129th Street station could be made at a cost of from 5 to 15 cents. This radius includes all the territory from 42nd Street to Yonkers. Formerly it cost as high as 30 cents a hundred pounds to make deliveries in this territory from the downtown warehouses. At present lower Manhattan is served from the Hudson Street warehouse; Brooklyn from the Brooklyn terminal; and upper and middle Manhattan, the Bronx, and Westchester are served from the 129th Street station. Jersey shipments are made by boat directly from Brooklyn.

By far the larger part of the business is done from the 129th Street station, and it can be done at less cost because the streets are wider and the congestion less.

North of 129th Street there is little congestion and few traffic restrictions. Hence, a truck working from the 129th Street base has only distance to overcome and this is not a serious handicap, as the streets are

mostly well paved. The truck can now work nearly three times as fast as when working north from the Hudson Street base.

One wholesale firm makes sure its local customers receive their goods promptly by having a receipt blank printed on the end of the order copy sent to customers. This blank calls for the customer's name and the time the goods were received and thus eliminates a tendency on the part of the drivers to loaf on the way, for each one's running time is carefully checked up.

All through the investigation it was indicated that costs were rising. Up, up, up they climb and already some items have reached points scarcely dreamed of a few years ago. Wholesalers apparently are faced with trouble unless increased sales volumes at profitable levels are obtained—and many have found that increased effectiveness through more accurate routing and scheduling of local deliveries is one of the answers to this big rising cost problem.

CHAPTER XVI

EQUIPMENT THAT HELPS PAY DIVIDENDS

IN Des Moines, Iowa, the Charles Hewitt & Sons Company has installed pneumatic tube and carrier equipment that not only gives better service to customers, but also has speeded up the work so greatly that it is finished much more quickly. And the employees work shorter hours now for the same pay.

Pneumatic tubes, automatic writing machines, gravity conveyors, inclined lifts, lowerators, elevators, telephones, and spiral chutes are some of the speeding-up and labor-saving devices which, in many other modern wholesale houses, have eclipsed the slow-footed messenger boy, the mail bag, stair climbing, the wheelbarrow, block and tackle, and even ladders. Just how surely profits depend on service, and service in turn depends on speed in filling orders, was plainly evident at every step in the nation-wide investigation among wholesalers which was part of the preparation of this book. Many indications were found that manufacturers of equipment and machinery, as well as the wholesalers themselves, are keenly alive to the needs of the wholesale house. It is certain that in many cases reductions in the cost of doing business are due largely to labor-saving and speeding-up devices, which exercise a direct influence on service, and, hence, on profits.

In the Des Moines concern the new equipment enabled it to move the general offices to the top floor of the new building and to save both time and money in the daily routine. "When we built our addition and remodeled our old plant, we moved our general offices

from the first floor to the sixth floor," said Mr. Hewitt in speaking of the advantages of the new system. "Some of our 'friends' apparently took pleasure in saying that we would never be able to get our customers up to our offices, but we find that we have had more retailers in our offices since we moved than we ever had before.

"We have, of course, a passenger elevator, but for the benefit of those who do not wish to take the time to come upstairs, we maintain a city order department on our first floor, in charge of our assistant receiving clerk. He is a young man who has had office experience and knows how to sell goods. As soon as he enters an order, it is placed in a carrier and shot through the tube to our credit department in our general offices on the top floor. The order is O. K.'d and back downstairs long before the goods are ready for delivery to the buyer. Cash sales can be handled just as easily on the first floor as they are in our main office. The carriers can be used for the transmission of cash, as well as for papers.

"With this system, used in connection with the overhead carrier, and other time-saving devices, it is very seldom necessary for any employee, either warehouse or office, to leave his or her department. It eliminates visiting, for usually whenever an employee leaves his desk to go to the desk of another employee, he visits on the way to his destination, and on the way back to his own desk."

By using automatic conveyors this same company has reduced trucking charges, facilitated the operation of delivery trucks, and speeded up the handling of orders.

A line of gravity conveyors from the receiving platform to an elevator and portable sections of gravity conveyors on each floor take care of the incoming materials. The same equipment, with a line of gravity conveyors from

the discharge end of the elevator to the shipping platform, accommodates perfectly the outgoing product (Figure 82).

These conveyors with a proper tube equipment help give low labor costs and there are few delays in receiving goods and in getting orders filled. Trucking charges are reduced. A truck discharges immediately upon reaching the platform and is loaded at once.

**MECHANICAL DEVICES ENABLE THIS WHOLESALER TO GET
ORDERS QUICKLY FROM OFFICE TO WAREHOUSE**

Janney, Semple, Hill & Company, wholesale dealers of Minneapolis, have a pneumatic tube service between their office building and the warehouse three blocks away, which has practically paid for itself through the resulting saving in messenger service.

Orders are received either by mail in the general office, by telephone in a special, glass-partitioned room, or in the city sales room. From all of these points the orders are dispatched, as soon as they are transcribed, to the entry department on the first floor, where they are recorded.

A tube to the credit department expedites the approving of the orders before they are sent over the pneumatic tubes to the various department stock rooms to be filled. After an order is filled the shipping lists are forwarded by tube to the billing and shipping departments and the goods are started to their destinations.

In addition to these tubes for handling orders pneumatic stations are located in the buyer's department, the sample room, and the main offices. These stations and tubes are always busy with the various inter-departmental messages that are necessary in every large office.

In Figure 83 is shown a layout for the installation of a pneumatic tube system. This system proved its

value to the entire satisfaction of the company which installed it.

In all installations of conveyors and intercommunicating systems, as well as much other equipment, there is, of course, more or less use of power. In modern wholesale buildings steam usually is used only for prime movers, for heating and sometimes for engine room auxiliaries. Prime movers ordinarily are connected with electric generators, and occasionally with refrigerating installations.

In modern buildings electricity usually is the form of power selected on account of the cleanliness, ease of control, and the compactness of electrical drive. The type of electrical machinery to be used usually is best decided by the architect and engineer employed in the designing of the building, as local conditions almost always are the deciding factors. Whether this power will be generated by a steam plant on the premises, or purchased from the local lighting company, is another question that should be thoroughly gone into and settled for each case on its merits.

Several strictly engineering considerations enter into this problem. The first one is the cost of operation, which is settled largely by the relative cost of coal and purchased electricity. Again, if the requirements of the building are small as to the amount of power and light, it may not pay to maintain an engineer and a fireman, and, as it is seldom good practice to turn the control of the power plant over to any except skilled men, the small plant may easily not prove economical.

Also, the climate has an influence, for if the winters are very long or severe it may pay to put in a private plant so that the exhaust steam from the engines can be used for heating the building. In northern cities where steam heat is used six months or more each year, some wholesalers figure that their lighting is actually a by-product and costs them practically nothing.

the discharging end of the conveyor, a platform, accessible by a short flight of stairs, is provided (Figure 92).

These conveyors give low labor charges on outgoing goods and no loading charges are incurred upon reaching the platform.

Many of the large stores of Kansas City have adopted this plan for their outgoing goods.

Other stores have adopted the plan of having a platform at the foot of the elevator, and a short flight of stairs leading up to the platform.

It is a good plan to have a platform at the foot of the elevator, and a short flight of stairs leading up to the platform.

It is a good plan to have a platform at the foot of the elevator, and a short flight of stairs leading up to the platform.

Outgoing goods are handled in many wholesale stores by use of gravity conveyors from the foot of the elevator to a loading platform. Less labor is necessary and loading is faster and easier.

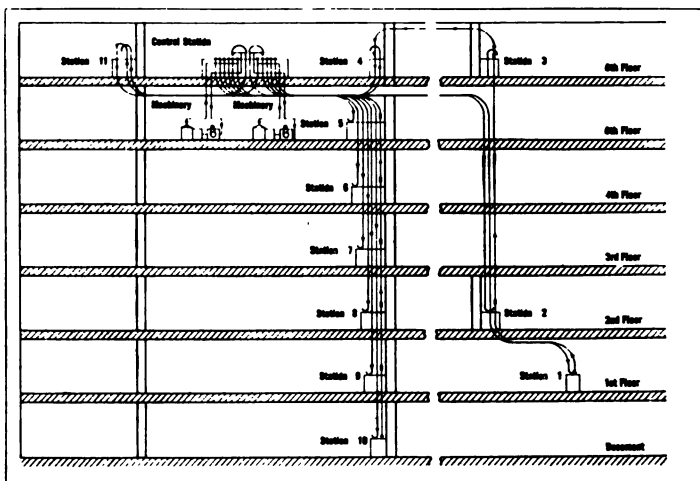


FIGURE 83—Pneumatic tubes connect every department in this warehouse. All messages first go to a central station on the top floor and are then transferred to the proper tube.



FIGURE 84—Storing goods on distant parts of the warehouse floor is made easy in an eastern concern by the use of gravity conveyors from the elevators to different parts of the plant.

How to equip the city sales department to handle customers with the least trouble and the greatest efficiency was an important question when one wholesaler remodeled his offices. The city sales manager often found it necessary to question the credit of a customer, and it was embarrassing alike to the salesman and the customer to consult the credit department by telephone.

HERE IS A DEVICE WHICH SAVES TIME AND AVOIDS
OFFENDING CUSTOMERS

To get around this difficulty the wholesaler installed automatic writing machines in the sales room and in the credit department. When a customer calls, the sales manager writes his name and address on the instrument without the customer's knowledge. This at once appears on the instrument in the credit department and the credit man, after looking up the account, writes back to the sales manager a statement of the customer's credit standing. Besides saving embarrassing questions in the presence of the customer, this avoids the possibility of error in transmitting the information and leaves the sales manager free to deal with his customer while waiting for a reply.

In handling its orders one wholesale grocery house has done away with the necessity of making duplicate copies of the order by using an automatic writing machine in the packing and stock rooms. Orders are sent directly to the shipping clerk, who writes them on the instrument. The order appears on all stock floors concerned at the same time. Work of picking up the goods begins at once. If any are missing when the different parts of the order reach the packing rooms, the instrument again is used to order the goods from the proper stock floors.

A wholesale house in the East has installed a complete system of conveyors for handling incoming mer-

chandise. The goods are unloaded from the truck directly on to a conveyor, which carries them past an employee who marks the proper storage department on them. The conveyor carries the goods on to an automatic elevator. A boy sees that the elevator is set for the proper floor. They are then placed on short lengths of gravity conveyors and sent to the department where they are to be stored (Figure 84).

In one of the newest large wholesale houses in the country four elevators are the only means of moving original package goods and small broken lots from floor to floor. Hand trucks are used exclusively in moving the goods from one department to another.

This company puts up in cartons its own brand of raw breakfast food and one or two brands of pancake flour. All this work is done by a machine which folds the boxes, fills them, seals them, and turns them out ready to be packed. The bins which hold the raw material are placed on the floor above the machines and the feeding is entirely by gravity. The same system is used in putting up flour in two and five-pound packages.

Of course, it is not the purpose of this chapter to point out that the only way to increase service to customers, speed up business, and beat down costs is to install expensive equipment. However, the experiences described from the records of concerns that have installed modern equipment indicate that sometimes expenditures of this type may in the end amount to worth while operating economies, and this, of course, is one aim of every progressive wholesaler fighting rising costs.

CHAPTER XVII

MAKING YOUR DOLLARS WORK FASTER

I MUST buy in small lots, reordering frequently once I have found what is going well, if I am to overcome rising costs in the one way that seems open to me—building up a fair profit out of a lot of little ones tacked on a high cost of doing business,” declares the retailer.

“And I’m fighting rising costs, too, and when you start out to increase your rate of turnover that way you force me to put more money into my business to cover the increased expense of handling broken lots, or even to put up more money for stock for an in-stock department, if that is the only way to care for your frequent small orders—and when I put more money in my business my rate of turnover naturally tends to go down, instead of up,” the wholesaler says.

Perhaps he adds: “If my rate of turnover is slowed up, you must expect me to charge for the increased cost of supporting a slower rate of turnover—but instead of doing that I’m afraid you often don’t even give me a fair fighting chance but shift your trade to one of the many localized wholesalers who are springing up because they can handle frequent small orders quickly with distance in their favor.”

And so we face a great distributive problem—the back wash of the war against rising costs which goes on every day. There is much to be said on both sides of the question—but since it’s gone to a state of war, “saying” usually is not of much immediate assistance and “doing” is, as a rule, about all that counts.

Now “doing” in the case of the wholesaler quite ob-

viously means speeding up the rate of turnover and jamming down the cost of doing business. If the retailer has found a rapid rate of turnover and a knock down fight effective against the liquid fire of rising costs, why shouldn't the same weapons help the wholesaler, since he's struggling also against liquid fire?

Logical enough! But how? The preceding pages have tried to supply, besides a lot of tested methods, a new way to attack each item in the cost of doing business. They tell you what costs others pay; what costs you should be able to attain, judging by the experience of the concerns that have made the best records; and what methods the unusually successful houses have used. Now this chapter is going to try to report to you how some concerns are going after a faster rate of turnover.

The leaders among the 387 wholesalers reached by the investigation that stands back of this book apparently either consciously or unconsciously agree that these are about the six best ways to speed up the rate of turnover:

- 1—Finding what it costs to sell each line and what lines turn rapidly—so that the good-profit fast-turning combinations can be located and pushed.

- 2—Standing up for a fair profit.

- 3—Holding down returns and cancelations.

- 4—Looking at rates of turnover from a logical viewpoint.

- 5—Keeping a close watch over each customer's trade and extending useful cooperation to him to the end that he may get ahead faster.

- 6—Getting money in quicker from customers.

Let's take up these six methods in order. First comes finding what it costs to sell each line and what lines turn rapidly—so that the good-profit fast-turning combinations can be located and pushed. By divid-

ing his stock into several departments and handling each department much as if it were a separate business, one wholesaler was able to stop expensive leaks, "speed up" the rate of turnover and push the lines that seemed to "slow down." In one year he reduced his operational costs more than 2%, and at the same time increased gross sales 12%.

When this wholesaler classified his merchandise account as indicated in the tabulation that follows, he insured against mistakes, enforced better and more economical methods in selling, and strengthened his credit so that the problem of financing the business was easier. He learned exactly the cost of handling each line. The figures thus obtained provided comparisons that enabled him to check costs in a definite way and to locate the leaks.

The following classification shows how he divided his stock, and also the cost of operating each department for one year:

1. Factory—sauerkraut and salad dressing.....	12.5%
2. Canned goods.....	8.3%
3. Dried fruits.....	9.1%
4. Cereals, starch, vinegar, brooms, chocolates.....	7.2%
5. Tobacco.....	4.6%
6. Tea.....	12.8%
7. Coffee.....	8.5%
8. Flour, feed.....	3.6%
9. Produce.....	5.8%
10. Cider.....	12.1%
11. Twine, rice, soap, woodenware, yeast.....	8.9%
12. Sugar.....	3.3%
13. Candy.....	6.5%
14. Cheese, lard, meats.....	4.9%
15. Cigars, cigarettes.....	10.3%
16. Fish, beans.....	8.5%
17. Salt, crackers, oils, drugs.....	5.9%
18. Fruit jars.....	5.5%
Average cost of operation	7.6%

A classification of this kind can be made in any wholesale establishment. This particular one, since something has to be taken as an illustration, happens to refer to groceries, but it obviously might just as well refer to nails, petticoats, or dynamos. In fact, a simple classification of the merchandise in a wholesale house is usually essential if the proprietor wants to keep track of how each line is moving and how much it costs to handle. In this way he finds an effective weapon for locating expensive leaks.

Making each item bear its share of the overhead cost, as indicated in the classification, helps the wholesaler to eliminate unprofitable lines and to concentrate on those which produce the biggest net profit. The next step is to find out which of the lines turn fastest and then push the fast-turning good-profit lines for all they're worth. Many wholesalers apparently feel that the last sentence should be printed in red letters an inch high. How an increased cost of doing business makes a higher rate of turnover necessary is shown in the chart of a wholesale and two retail concerns in the same line shown in Figure 85.

Another instance of this character is related by an Illinois wholesaler. "Within two years after classifying my merchandise account," he says, "I located leaks that previously went unnoticed and I found out about defects in my stockkeeping that I never thought existed. For instance, the costs in my cigar and cigarette department jumped in one year from about 9% to 11%. The increased sales in the department did not justify this increase. I called the manager of the department to my office, showed him the increase revealed in the classification sheet and asked him to explain it. He was surprised to know that the costs had gone up and could offer no reason.

"By inquiry, however, I learned that in the year just closed he had bought heavily of a line of expensive

cigars and cigarettes not altogether suitable to our trade. I told him to cut the prices on these lines if it was necessary to move them and to be more careful in future buying. Instances of this character have been revealed in almost every department, but they are more quickly spotted now than before the merchandise account was classified."

In place of receiving profit and loss statements every six months, the classification helped the wholesaler to get statements monthly showing the condition of each department. He was able to compare, cut, and standardize costs, and to locate the fast turning lines among those yielding the best profits by simply figuring rates of turnover from his stock figures. With definite items by lines before him, it was simply a matter of measuring the records of yesterday with the records of today.

DO YOU GET THE GREATEST POSSIBLE NUMBER OF SALES
AT THE HIGHEST MARKET PRICE?

Next in order is the second of the six methods: standing up for a fair profit.

In this connection one wholesaler says: "Never forget that you cannot get a profit unless the other fellow does."

Rates of turnover can often be helped materially by adopting methods which will keep the price up to the standard. One wholesaler had this fact forced upon his attention by one of his salesmen.

The salesman walked into the office of his employer and told him that a study and a comparison of the field would show the necessity for raising some prices. The wholesaler had complained that profits were on the toboggan, despite the fact that he was striving to keep track of the various changes necessary in the business. He was timid about increasing his prices in certain lines for fear he might lose some of his old

customers, so he refused to approve the salesman's suggestion.

When the salesman went over his territory again, he studied the price lists of competitors and concluded to make one more effort to awaken his employer, and no matter what the result to himself, to take tentative orders, "subject to cancelation by the boss," at the prevailing market. On his return, when he handed in his orders, it was found that the volume exceeded the results of previous trips and, better than that, the orders called for the higher prices. The profits were, of course, heavier, and the wholesaler, who was convinced that his attitude had been mistaken, gladly confirmed the tentative orders.

The third method—holding down returns and cancelations—comes next. Returns and cancelations involve one of the most debated of wholesale-retail distributive problems. There is much to be said on all sides, doubtless—but, since this book is not prepared for purposes of debate, but to supply "how to do it" facts, we can turn directly to the concrete.

In one month 21% of the gross sales of one wholesale house was sent back and in the preceding month the company passed credits on 16% of the month's sales. This high mark was not maintained over a period of 12 months, but nevertheless tabulation showed that for the year the returns amounted to 9.8%. Such a condition as this is a serious check on any wholesaler who is trying to speed up his rate of turnover.

One retailer who had purchased a large bill of goods sent the entire lot back because it did not measure up to his standard of quality. These goods were examined for defects when they arrived and found to be in satisfactory condition. They were put back in stock and naturally the process of rehandling and drayage represented a substantial item of expense and the turn on the entire stock was that much slower.

"One of our big customers consistently returned one fifth of his purchases and when we showed him figures on the cost of placing the merchandise back in stock, he canceled his orders and went to another house to get his supplies," says the same wholesaler.

As this instance shows, unless canceled orders and returns are kept under close control, the chances for profit often are seriously affected. Prompt delivery of seasonal or special orders has been found by several wholesalers to have good effect in keeping down returns and thereby speeding up the rate of turnovers.

SATISFIED CUSTOMERS OFTEN MEAN A FASTER
RATE OF TURNOVER

Of course "prompt delivery" is easier said than done! To insure shipment of every stock order on the date promised, a watchful wholesaler has installed a system that has cut down returns and cancellations.

When a special order is received, the salesman covering the customer's territory is immediately notified of the receipt of the order. He returns a prompt acknowledgment to the house. In this way the salesman is kept in constant touch with the customer's wants.

By daily reports from each department, the head of the concern is able to trace the position of every order, and delay in any department flashes a danger signal. A speeding up follows immediately. This wholesaler is able now to deliver goods on the date promised almost without exception and this careful handling of orders has reduced his charges growing from returned goods and cancellations.

Now we come to the fourth method—looking at rates of turnover from a logical viewpoint. One extreme declares: A faster rate of turnover simply saves you the interest on some money, and perhaps the value of a little space and the like. The opposite extreme holds: By turning stocks faster you can build up

a fair net from a number of little nets riding on lower mark-ups than you would have had to take if you turned slower. You can, in other words, get by on a mark-up of 10% where you formerly—or your competitor with slow-turning stocks today—took 11%. That 1% enables you to make better prices on some lines—and thereby win new trade—and to combat doing business. Merely as an incident, you save a rising costs of little interest, and so on.

Regardless of which extreme you incline to, it is important to try to get a sane viewpoint and to thoroughly understand what "rate of turnover," as a mere term, means. "The rate of turnover of goods," as a term, is responsible for much false reasoning and poor business due to a misunderstanding of its true meaning, according to one wholesaler. The usual reasoning of the mere "volume hunter," regardless of how fast the stocks turn under the volume, is that sales of quantities lessen the possible selling price because the same overhead carries everything over the average.

Such reasoning is a strong argument for cost accounting, according to Edward N. Hurley, former chairman of the Federal Trade Commission and more recently head of the Shipping Board, who says: "To claim that your overhead is reduced because you are handling a large volume, and to handle any product solely for this reason, is causing more trouble than any other one method."

Overhead expense is of course a tax from which no article justly can escape, no matter how much the rate of turnover is speeded up, and this tax naturally should be collected from every item handled. However, a rapid rate of turnover lessens the proportionate amount to be collected from each sale.

Rates of turnover are easily figured by dividing the sales for any period, at cost, by the cost of the average stock on hand during the period. Once the wholesaler

has secured rate of turnover and cost figures for his business, it is not difficult for him to demonstrate the added profit which an extra turn will bring.

The net gains climb when the expenses are cut, the number of turns increased, the totals owing from customers reduced, or the gross profits lengthened. As soon as larger stocks accumulate, customers neglect to pay, or expenses increase, the net profits dwindle.

To show these conditions, it is only necessary to express the customers' balances and the stock on hand as equal to so many average days' sales. Your sales, we will suppose, reach \$540,000 a year, or an average of \$1,500 a day. Then, if your average stock is valued at \$45,000 it equals 30 days' sales, and the total due from customers, 15 days', if we take it as \$22,500. Also, if your gross profit is 25% and your cost of doing business 20%, the net profit for the period will equal the difference between these two percentages divided by the sum of the stock and the customers' accounts due, expressed in days, and multiplied by 360. Or, in figures:

Net profit on your capital for the year $= \frac{25-20}{30+15}$
x 360, or 40%.

If the stock is increased to a 60 days' supply, the rates of turnover lessen, and the net profit at once falls:

Net profit on your capital for the year $= \frac{25-20}{60+15}$
x 360, or 24%.

But if you buy closer and push your stock down to a 15 days' supply the increased rate of turnover carries the net profit upward:

Net profit on your capital for the year $= \frac{25-20}{15+15}$
x 360, or 60%.

Although these relations of profits to rates of turnovers are universal, individual conditions, of course,

Line	Gross Sales	Turnovers
Grocery.....	\$500,000 to \$1,000,000.....	6
Grocery.....	\$1,000,000 and over.....	10
Drugs.....	\$1,000,000 and over.....	6 to 6½
Hardware.....	\$1,000,000 and over.....	3
Clothing.....	\$1,000,000 and over.....	2
Shoes.....	\$1,000,000 and over.....	5

These figures represent the rates of turnover in a representative house in each of the lines mentioned. The turnover rate of course varies widely within each line depending on the location of the house and the character of merchandise handled.

vary the number of turns actually secured in specific concerns. As is well understood, for instance, a grocery stock will turn rather fast, comparatively, while a hardware stock turns more slowly.

Now we come to the fifth method—keeping a closer watch over each customer's trade and extending tactful cooperation to him to the end that he may prosper.

A faster rate of turnover under this method is obtained by the sales manager of an Ohio wholesale concern by keeping a list of customers and their purchases in an indexed book. This information appears also on the general records of the office, but by maintaining his own territorial list, the sales manager finds it easier to check the work of the salesmen, to follow up prospects with a definite program, and to draw a comparison of the sales from time to time. When sales do not appear normal on the record of a customer, the sales manager starts a prompt inquiry.

When the wholesaler cooperates intelligently and effectively with the retailer, a greater volume of business usually is insured, and at a reduced expenditure of money and energy. The "small order" policy that prevails in many wholesale houses apparently has removed the caution and hesitation in buying through wholesalers which some retailers have had, some wholesalers feel. Quick rates of turnover, of course,

increase profits and help to kill the "dead stock" bogey.

One wholesaler says he has found one helpful method of cooperation in sending out bills and acknowledging orders. In this house the bill clerk not only gives the the number assigned to the merchandise, but also gives the name, size, and color of the article. This wholesaler says his system reduces the number of complaints from improper billing and that retailers appreciate this sort of help.

"We make it a rule never to sell the retailer an order that is inconsistent with his selling possibilities," says a southern wholesaler, explaining how he speeds up his turnover rate at reduced costs. "We do not allow the salesman to force sales and the result is that he makes more individual sales every week than he could if he tried to land bigger orders."

ONE COMPANY TELLS ITS DEALERS WHAT LINES PROBABLY
WILL MOVE FASTEST

"A sincere and friendly spirit of cooperation is necessary," says another wholesaler, "if you are going to get the retailer to stand back of your goods and push them. Quality of merchandise is essential and promptness in handling inquiries and orders is of equal importance, yet we have found that to solve the riddle of rapid distribution and to lessen returns, the humanizing influence of quick and generous assistance to the retailer and his problem is of the highest advantage."

A distributor of underwear has worked out a rather elaborate plan for cooperating with the retailer to the end that the sales of his products at retail will result in fast turning stocks all along the line. He reports the plan a success.

This company instructs its salesmen to observe carefully in their territories what items of the company's goods are in greatest demand. Reports of salesmen are checked up with orders from each territory.

The company makes several weights and grades of goods and the location of the territory, climate, and the type of industries has a strong influence on the sales possibilities for each item.

Classification of the various items is made by states. The company determines the four best selling lines in each state and then charts the results in the manner shown in Figure 86. A copy of this chart is sent to each retailer. A glance at it shows him which lines will have the fastest rate of turnover in his territory.

As a result he is able to buy intelligently, the goods move quickly, and he makes a greater profit on the year's business. This, of course, acts for the benefit of the distributor, who is able to place his goods where they will move quickest and thereby increase his rate of turnover.

The last of the six plans comes next—getting money in more quickly from customers. As we show on page 218, where we worked out a formula for figuring net profits under varying conditions, an increase in the accounts due from retailers slows down the rate of turnover quickly. This is natural enough, for stock unpaid for on customer's shelves is just like so much more stock in your own inventory—stock in which your own money is tied up is simply on a retailers' counters instead of being in your own warehouse.

So getting money in quicker directly reacts on the rate of turnover. To deal with customers who cannot be encouraged to pay promptly by the offer of cash discounts, and to put tied-up capital back into use more rapidly, many wholesalers have adopted the trade acceptance.

Two per cent discount for a period of 60 days is equal to 12% a year, or double the rate at which money usually can be borrowed. In other words, the wholesaler pays double to get his money back at work.

Trade acceptances keep money working. An ac-

ceptance is really a draft, drawn upon the purchaser of goods at a certain number of days' sight, at the time of sale, and can go forward with the invoice. It is accepted (signed) by the purchaser and returned upon receipt of the goods. It is then endorsed by the house making the sale and presented by it to its bank for discount at rates which are established by the government.

It can be used by the bank under certain conditions to secure the issuance of Federal Reserve Notes—actual currency—and thereby comes a part of a great stream of money which can be called on to drown out panics under the trade acceptance system. The acceptance is payable at the bank the purchaser designates. In some lines concerns have been able to transfer almost all their open accounts into trade acceptances. If you want more information on this subject write to the Librarian, A. W. Shaw Company, Chicago.

These, then, are the plans used by the bell-wethers among 387 wholesalers in their fight to maintain profits in the face of rising costs. It's a great fight, a fight that has you in a state of siege, or that is just in touch with your outposts, or that perhaps is merely advancing on you out of sight over the mountain—you're either attacked or about to be attacked. But you can't be defeated once armed with the experience of hundreds of others supplied through books like this and the other business publications which are available today, can you? Of course not.

PART IV

**ACTUAL COST FIGURES THAT
WILL HELP YOU WIN OUT**

PART IV

TO HELP YOU FIGHT RISING COSTS

ON the following pages you will find in concrete form the cost-of-doing-business figures discussed in the various chapters. You will also find spaces in which you may record your own cost figures for the last two years and the figures which you strive for next year. Use these tables to help you in your fight against rising costs—they can aid you a lot. These figures can help you greatly if you arrange your figures in the columns provided, because you can then compare with the typical figures for your line and decide how you will work to reach the indicated attainable standard.

All these percentages are averages and all figures are based on total annual sales. Typical percentages are averages of the most carefully compiled cost figures given to the Bureau of Business Standards by wholesalers in the different lines. Attainable percentages are averages based on the costs of the most effectively managed and successful concerns picked from the entire group from which the typical percentages were obtained.

Select the typical figures that apply to your business and write them in the first column on the following pages. In the second and third columns you can put down your costs for last year and the year before. You can then compare these with the indicated average in the first column. This gives you a chance to get your latitude and longitude and shows you the "short routes" and how "fast" others have traveled.

TO HELP YOU FIGHT COSTS

Then in the eighth column there is an opportunity to put down what you think your costs will be this year. This gives you a chance to see if you are on the right "route." Are your costs increasing or decreasing?—in the seventh column space is provided for the figure you are going to try for next year. This gives you a chance to see if you have really held to the right "route." In reading this book you have no doubt come across plans which will help you in your fight to reduce costs. Note in the last column the pages on which these plans were explained, and jot down notes on the memoranda pages.

In the dry goods field most of the concerns doing an annual business of more than \$1,000,000 were found to either be manufacturers or were engaged in retailing to some degree. In either case their wholesale costs were so confused with their other activities it was not possible to separate them accurately. The very small wholesale dry goods firms were found usually to have imperfect cost figures.

On some items it will be noted that the indicated attainable percentages run higher than the typical percentages for the same items. This seems to indicate that while better management may mean higher costs on some items, it also means a greater saving on others. So much so, in fact, that all indicated attainable "total costs" given are lower than the typical "total costs."

Percentages indicated for "selling expense" include salesmen's salaries, traveling expenses, and commissions. "Packing and shipping" includes warehouse, freight, cartage, and express costs. "Office expenses" include stationery, postage, printing and supplies, and under the heading "general expense" are included the costs for association dues, telephone and telegraph charges, interest on capital used and borrowed, repairs, and depreciation.

WHAT 387 WHOLESALERS PAY

Indicated typical cost figures and indicated attainable standards given here are for firms doing an annual business of \$500,000 to \$1,000,000 and for firms having annual sales of less than \$500,000. From these figures you can easily determine your approximate cost of doing business. Take the typical and indicated attainable cost figures for your line and class of business and write them in columns one and six on pages xxvi and xxvii. You then have a basis for comparison of your figures with the average for your line and by checking the proper columns you can keep close tab on your costs for the coming year.

WHOLESALE GROCERIES

(Firms with Annual Sales of \$500,000 to \$1,000,000)

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense.....	2.2%	1.8%
Administrative Salaries and Wages.....	2.2%	2.3%
Rent.....	0.6%	0.5%
Light, Heat, and Power.....	0.2%	0.2%
Packing and Shipping.....	0.5%	0.2%
Insurance and Taxes.....	0.5%	0.5%
Office Expense.....	0.3%	0.3%
Bad Debts.....	0.5%	0.4%
Advertising.....	0.4%	0.3%
General Expense.....	1.6%	1.0%
Total Costs.....	9.0%	7.5%

WHOLESALE GROCERIES

(Firms with Annual Sales of Less than \$500,000)

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense.....	1.7%	1.4%
Administrative Salaries and Wages.....	2.0%	2.0%
Rent.....	0.5%	0.4%
Light, Heat, and Power.....	0.1%	0.1%
Packing and Shipping.....	0.3%	0.2%
Insurance and Taxes.....	0.4%	0.5%
Office Expense.....	0.2%	0.1%
Bad Debts.....	0.5%	0.4%
Advertising.....	0.1%	0.1%
General Expense.....	1.4%	1.1%
Total Costs.....	7.2%	6.3%

WHOLESALE HARDWARE
(Firms with Annual Sales of \$500,000 to \$1,000,000)

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense.....	5.9%	3.6%
Administrative Salaries and Wages.....	6.2%	5.0%
Rent.....	1.2%	1.0%
Light, Heat, and Power.....	0.2%	0.2%
Packing and Shipping.....	0.7%	0.8%
Insurance and Taxes.....	0.7%	0.6%
Office Expense.....	0.7%	0.6%
Bad Debts.....	0.8%	0.7%
Advertising.....	0.3%	0.3%
General Expense.....	2.5%	3.9%
Total Costs.....	19.2%	16.7%

WHOLESALE HARDWARE
(Firms with Annual Sales of Less than \$500,000)

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense.....	4.2%	3.8%
Administrative Salaries and Wages.....	5.3%	4.7%
Rent.....	1.2%	1.5%
Light, Heat, and Power.....	0.2%	0.1%
Packing and Shipping.....	0.6%	0.5%
Insurance and Taxes.....	0.8%	0.4%
Office Expense.....	0.6%	0.5%
Bad Debts.....	0.6%	0.5%
Advertising.....	0.3%	0.2%
General Expense.....	4.0%	2.7%
Total Costs.....	17.8%	14.9%

WHOLESALE CLOTHING
(Firms with Annual Sales of \$500,000 to \$1,000,000)

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense.....	5.5%	4.5%
Administrative Salaries and Wages.....	3.5%	2.6%
Rent.....	1.4%	0.9%
Light, Heat, and Power.....	0.3%	0.2%
Packing and Shipping.....	0.4%	0.3%
Insurance and Taxes.....	0.4%	0.3%
Office Expense.....	0.5%	0.4%
Bad Debts.....	1.0%	0.8%
Advertising.....	2.0%	1.4%
General Expense.....	1.1%	1.4%
Total Costs.....	16.1%	12.8%

WHOLESALE ELECTRICAL GOODS

(Firms with Annual Sales of Less than \$500,000)

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense.....	4.6%	4.0%
Administrative Salaries and Wages.....	4.9%	4.9%
Rent.....	1.0%	1.0%
Light, Heat, and Power.....	0.1%	0.1%
Packing and Shipping.....	0.9%	0.5%
Insurance and Taxes.....	0.4%	0.4%
Office Expense.....	0.9%	0.5%
Bad Debts.....	0.9%	0.3%
Advertising.....	0.4%	0.2%
General Expense.....	2.9%	1.4%
Total Costs.....	17.0%	13.3%

COSTS IN LARGER HOUSES

All the cost figures that follow apply to concerns in the different lines doing an annual business of more than \$1,000,000 unless otherwise indicated. In case yours is a wholesale electrical goods firm with annual sales of more than \$1,000,000 you can approximate your expense for the different items by adding slightly to each typical cost figure given here. In case yours is a dry goods firm with annual sales of more than \$1,000,000 or less than \$500,000 you can figure your approximate costs by adding to the figures given in one case and subtracting in the other. The investigation showed that total costs for the larger wholesale dry goods firms were about 2.5% higher than the typical figure here shown and that the total costs for the smaller houses of this line were about 3% lower.

WHOLESALE GROCERIES

(Firms with Annual Sales of More than \$1,000,000)

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense.....	3.1%	2.5%
Administrative Salaries and Wages.....	3.0%	2.8%
Rent.....	0.4%	0.4%
Light, Heat, and Power.....	0.1%	0.1%
Packing and Shipping.....	0.5%	0.3%
Insurance and Taxes.....	0.4%	0.5%
Office Expense.....	0.3%	0.2%
Bad Debts.....	0.7%	0.4%
Advertising.....	0.4%	0.3%
General Expense.....	1.6%	1.3%
Total Costs.....	10.3%	8.8%

WHOLESALE SHOES**(Firms with Annual Sales of More than \$1,000,000)**

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense	4.9%	4.0%
Administrative Salaries and Wages	3.2%	2.4%
Rent	0.6%	0.4%
Light, Heat, and Power	0.2%	0.2%
Packing and Shipping	1.1%	0.7%
Insurance and Taxes	0.6%	0.4%
Office Expense	0.5%	0.3%
Bad Debts	1.6%	0.6%
Advertising	0.4%	0.3%
General Expense	2.7%	2.6%
Total Costs	15.8%	11.9%

WHOLESALE DRUGS**(Firms with Annual Sales of More than \$1,000,000)**

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense	4.1%	3.5%
Administrative Salaries and Wages	3.8%	3.0%
Rent	2.0%	1.5%
Light, Heat, and Power	0.1%	0.2%
Packing and Shipping	0.7%	0.5%
Insurance and Taxes	0.4%	0.3%
Office Expense	0.3%	0.2%
Bad Debts	0.6%	0.5%
Advertising	0.4%	0.5%
General Expense	2.2%	2.2%
Total Costs	14.6%	12.4%

WHOLESALE DRY GOODS**(Firms with Annual Sales of \$500,000 to \$1,000,000)**

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense	4.9%	4.5%
Administrative Salaries and Wages	1.7%	0.5%
Rent	1.0%	0.8%
Light, Heat, and Power	0.4%	0.3%
Packing and Shipping	0.4%	0.2%
Insurance and Taxes	0.5%	0.3%
Office Expense	0.3%	0.2%
Bad Debts	0.5%	0.3%
Advertising	1.5%	0.9%
General Expense	1.6%	1.6%
Total Costs	12.8%	10.6%

WHOLESALE CLOTHING

(Firms with Annual Sales of More Than \$1,000,000)

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense.....	6.0%	5.2%
Administrative Salaries and Wages.....	4.0%	3.8%
Rent.....	1.2%	0.8%
Light, Heat, and Power.....	0.3%	0.2%
Packing and Shipping.....	0.4%	0.3%
Insurance and Taxes.....	0.4%	0.3%
Office Expense.....	0.3%	0.2%
Bad Debts.....	1.2%	1.0%
Advertising.....	2.0%	1.8%
General Expense.....	1.4%	2.0%
Total Costs.....	17.8%	15.6%

WHOLESALE HARDWARE

(Firms with Annual Sales of More than \$1,000,000)

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense.....	6.4%	4.0%
Administrative Salaries and Wages.....	7.9%	7.5%
Rent.....	1.0%	0.8%
Light, Heat, and Power.....	0.2%	0.1%
Packing and Shipping.....	1.0%	0.9%
Insurance and Taxes.....	0.7%	0.7%
Office Expense.....	0.8%	0.6%
Bad Debts.....	1.1%	0.8%
Advertising.....	0.7%	0.5%
General Expense.....	3.7%	2.9%
Total Costs.....	23.5%	18.8%

WHOLESALE ELECTRICAL GOODS

(Firms with Annual Sale of \$500,000 to \$1,000,000)

	Indicated Typical Costs	Indicated Attainable Costs
Selling Expense.....	5.2%	3.9%
Administrative Salaries and Wages.....	5.9%	5.6%
Rent.....	0.9%	0.7%
Light, Heat, and Power.....	0.1%	0.3%
Packing and Shipping.....	1.1%	0.7%
Insurance and Taxes.....	0.6%	0.5%
Office Expense.....	0.5%	0.7%
Bad Debts.....	1.5%	0.8%
Advertising.....	1.5%	0.5%
General Expense.....	0.8%	2.0%
Total Costs.....	18.1%	15.7%

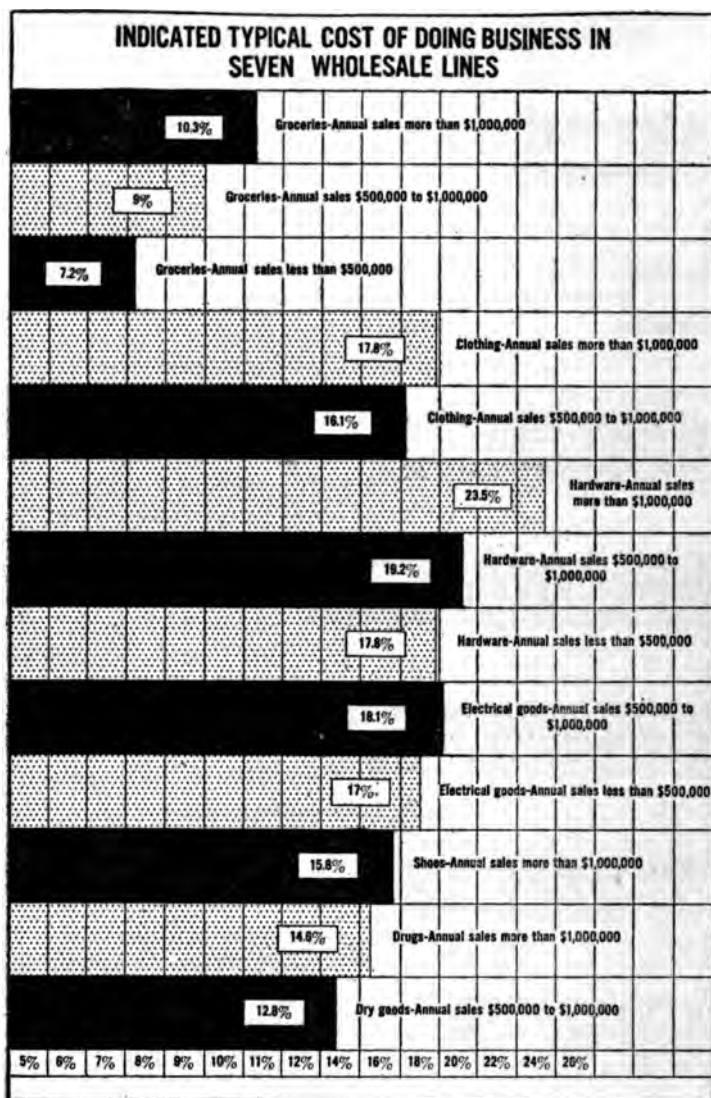


FIGURE 87—Here are the indicated typical total cost percentages in seven wholesale lines shown in graphic form. The grocery, hardware, and clothing columns indicate how costs increase as the business increases in size.

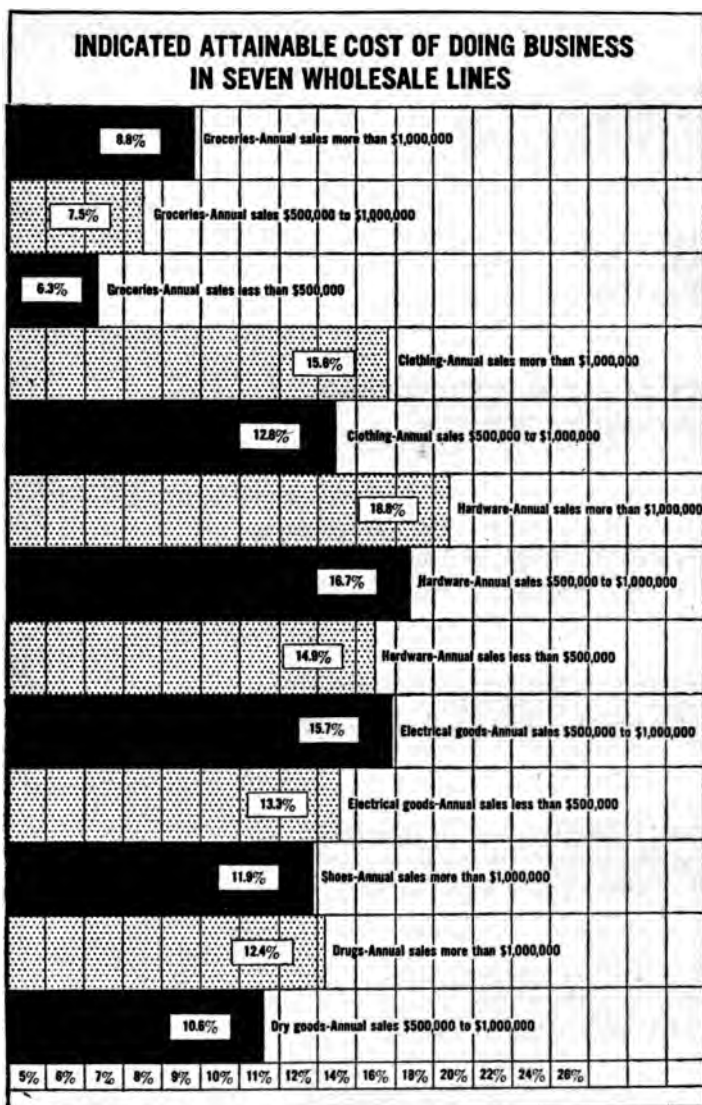


FIGURE 88—These columns are the indicated attainable total cost percentages given in graphic form. Comparison of this chart with Figure 87 brings out clearly what reduction of expense may reasonably be expected.

TO HELP YOU FIGHT COSTS

Where My Business Stands Now					
Items	1 Typical Costs	2 My Costs Year Before Last	3 My Costs Last Year	4 My Average	5 Difference between 1 and 4. Why?
Selling Expense					
Administrative Salaries and Wages					
Rent					
Light, Heat, and Power					
Packing and Shipping					
Insurance and Taxes					
Office Expense					
Bad Debts					
Advertising					
General Expense					
Total Costs					

TO HELP YOU FIGHT COSTS

Marks to Aim for				
Items	6 Indicated Attainable Costs	7 What I am Going to Try, For	8 My Costs for Next Year	9 Try Methods Described on Pages
Selling Expense				
Administrative Salaries and Wages				
Rent				
Light, Heat, and Power				
Packing and Shipping				
Insurance and Taxes				
Office Expense				
Bad Debts				
Advertising				
General Expense				
Total Costs				

MEMORANDA

4

MEMORANDA

MEMORANDA

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